

Registered number: 04033572

Ahlstrom-Munksjö Chirnside Limited

Annual report and financial statements

31 December 2021



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Strategic report

The directors present their strategic report on the company for the year ended 31 December 2021.

Business review

The principal activity of the Company continued to be the manufacture and sale of speciality paper and non-woven materials.

Against a background of an increasingly challenging competitive environment, operating loss increased from £0.766 million in the previous year to £11.213 million in 2021, which included an adjustment of £7.248 million relating to the expected purchase of a buy-out policy for the defined benefit pension scheme. Loss before taxation increased from £0.436 million to £11.761 million. Turnover at £65.024 million was up 1.8% in comparison to the previous year.

The Company's financial position at the end of the year was net current assets of £7.822 million (2020: net current assets £31.290 million) and net assets of £51.524 million (2020: £53.882 million) respectively.

Financial risk management

The Company's operations expose it to a number of financial risks, which include the effects of the currency market, raw material availability and prices. The Company continues to ensure policies and practices are in place to minimize the effects of such risk.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

- **Coronavirus:** The Company has assessed the plausible impacts to its future financial forecasts and budgets and, given the nature of its industry sector, is currently not anticipating any significant impacts to its ability to meet its business objectives or to experience a significant operating cash flow impact. The risks of Coronavirus have been mitigated within the business, with risk assessments performed with respects to employees, customers and suppliers. The Company continues to trade at full capacity and supplies products to key service sectors within the UK.
- **Raw material availability and prices:** the Company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.
- **Environmental risks:** Ahlstrom-Munksjö Corporation places considerable emphasis upon environmental compliance in each of its businesses and not only seeks to ensure on-going compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes. In addition, an environmental report setting out the Company's approach to environmental management is prepared and issued to shareholders annually and is made available to all other stakeholders on request.
- **Debtor recoverability:** the Company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- **Major disruption/disaster:** business continuity planning is reviewed regularly. In addition, a formal Business Continuity Plan has been implemented.
- **The effect of legislation or other regulatory activities:** the Company monitors forthcoming and current legislation regularly.
- **New product, project and technology risk:** the Company develops new technologies and introduces new products to the market. All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk and potentially customer claims or onerous contracts. Such risks may materially impact the Company.
- **Litigation:** the Company is subject to litigation from time to time. The outcome of legal action is always uncertain and there is always the risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future which could materially impact the Company. In some liability cases legal expenses are covered by insurance.

Strategic report (continued)

Principal risks and uncertainties (continued)

- **Competitive risk:** The Company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the Company.
- The geopolitical situation has changed in Europe as a result of the war in Ukraine. Although the Company's direct exposure to Russia and Ukraine is limited, repercussions can be significant from possible sanctions, including any Russian response. Russia represented 0.05% and Ukraine 0.01% of the Company's net sales in 2021.

Key performance indicators

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety, in addition to the Company's environmental impact and energy consumption.

	2021	2020	Measure
Financial			
Loss on capital	(23)%	(1)%	Loss before taxation/net assets
Working capital days of sales	44	179	Working capital/turnover x 365
Sales per employee (£'000)	328	336	Turnover/average number of employees
Non-financial			
Accident Frequency Rate	0.40	0.40	Total lost time accidents/hours worked x 1,000,000
Specific Energy Consumption (SEC)	8.50	12.90	Mwh per tonne produced
Carbon dioxide emitted	19.942	19.501	Tonnes (000)
Total waste removed from site	0.379	0.366	Tonnes (000)
Specific effluent discharge	386.1	323.9	M ³ per tonne produced
Total water used	3,141.2	3,266.8	M ³ (000)

Strategic report (continued)

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

The Board of Ahlstrom-Munksjö Chimside Limited consider that we have adhered to the requirements of section 172 of the Companies Act 2006 and have, in good faith, acted in a way that we consider would be most likely to promote the success of Ahlstrom-Munksjö Chimside Limited for the benefit of its shareholders as a whole. In doing so, we have recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision-making.

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision making process. Additional details of the company's key stakeholders and why they are important to us are set out below.

General

Ahlstrom-Munksjö Chimside Limited and its board are determined to ensure good governance of the company. We are fortunate that the Ahlstrom-Munksjö Group has comprehensive and strict policies which enable its subsidiaries to ensure compliance and deliver robust governance of their activities. Our policy is to comply throughout the organisation with all applicable laws and regulations and to maintain an ethical workplace for our officers and employees as well as an ethical relationship with our customers, suppliers and other business partners.

Ahlstrom-Munksjö's Board of Directors has approved the Code of Conduct and the key compliance policies for Ahlstrom-Munksjö. In addition, the whole senior management team of Ahlstrom-Munksjö Chimside has signed a personal commitment to ensure compliance with our code of conduct and this is prominently displayed on site. Our compliance approach is based on the following elements:

- Our Management's commitment and leadership to compliance
- Ahlstrom-Munksjö's Code of Conduct and other key compliance policies
- Compliance controls, monitoring, communication, education and training
- Whistleblowing channel
- Disciplinary actions where needed

In addition to the Code of Conduct, the company's key compliance policies include an Approval and Signing Policy which lays out the various levels of oversight and responsibility required to sign on behalf of the company, the Competition Compliance Policy and Manual, the Anti-Bribery Policy, the Trade Compliance Policy, the Data Protection Policy, the Risk Management Policy, the Treasury Policy and the Insider Rules.

Corporate governance underpins how we conduct ourselves as a Board, our culture, values, behaviors and how we do business. As a Board we are conscious of the impact that our business and decisions have on our direct stakeholders as well as our wider societal impact.

As part of the director induction process, directors are informed of their duties, including their statutory duties under s.172 of the Companies Act 2006. The directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as directors, including professional advice from either the Company Secretary or from an independent advisor at the Company's expense. On-going training is provided to the directors, as required, to ensure that their knowledge remains up to date and they continue to be able to discharge their duties as directors and this training is regularly refreshed

Strategic report (continued)

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT (Continued)

Principal decisions

For the year ending 31 December 2021, the Board consider that the following are examples of principal decisions that it made in the period:

The board are determined to continue work on our investment of about EUR 42.8 million to reinforce our market position in biodegradable and compostable tea bag, coffee and meat casing materials. This major investment project includes purchasing a secondhand paper making line to be dismantled and transferred to our manufacturing site in the UK. The machine is expected to be fully commissioned by Q3/2022.

The table below sets out our key stakeholders and how we have engaged with them in the period, as well as demonstrating stakeholder consideration in the decision-making process.

Stakeholders Their importance to us	The Board's approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
Shareholders Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	Ahlstrom-Munksjö Chimside Limited is wholly owned by its parent company Ahlstrom-Munksjö Oyj and there are no minority shareholders. Engagement with our owner is continual via various business processes	The board of Ahlstrom-Munksjö Chimside Limited are employees of the Ahlstrom-Munksjö group and therefore our business processes ensure that shareholders are considered in our decision making.
Customers Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	Our customers are at the heart of our business and we make considerable effort to ensure we understand their needs via regular contact and analysis. We have extensive and multi-faceted engagement with our customers at different touch points across our business to ensure we are able to meet our customers' needs and understand our markets.	The board uses the market intelligence from its customers and various other sources to inform board decision making.
Suppliers Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive impacts for the environment and wider society.	Our governance processes include many provisions regarding the interaction with suppliers. We expect all of our suppliers to abide by our dedicated Supplier Code of Conduct. We operate in partnership with key suppliers and ensure regular and meaningful contact with them in respect of our business together.	Decisions taken by the board are informed by our supplier discussions in order to ensure that our critical relationships are secured.

Strategic report (continued)

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT (Continued)

Principal decisions (Continued)

<p>Workforce</p> <p>Engaging with our people enables us to create an inclusive company culture and a positive working environment.</p>	<p>Our employees are our greatest asset. Engagement with our employees occurs via many different paths. In particular we have operated a Works Council for more than 20 years to ensure good communication with the workforce. The Works Council has elected representative from across the business. A sub-group from the representatives are also members of Ahlstrom-Munksjö's European Works Council.</p> <p>We hold regular crew meetings on site and these are augmented by regular presentations by senior group and business staff meetings to the whole workforce. Other engagement activities include Plant Safety Walks by senior staff, Scheduled Employee training days, regular employee surveys and the provision of question boxes as well as the provision of a confidential 'whistleblowing' help line.</p>	<p>Feedback from our workforce garnered by the pathways listed to the right serve to inform the decision-making process of the board.</p>
<p>Community/wider society</p> <p>Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.</p>	<p>Ahlstrom-Munksjö Chirnside Limited recognises that it has a significant role to play within our community and wider society. As a large local employer we understand that our operations have the potential for significant impact within our community and we take our responsibilities seriously in this regard. We regularly engage with the wider community where many of our employees are drawn from. Examples of this are support to local charitable concerns, annual Family Fun Days on site where visitors can learn about our operations and tour our facilities, regular school visits to assist in education at both primary & secondary school levels and attendance at larger educational events hosted in our region. We regularly employ apprentices to develop young people's skills. Our sites have been Zero Waste to Landfill since 2013.</p>	<p>The impact of our activities within our local community is always considered in decision making. Many of our products are designed to have a positive environmental impact and we consider that we lead the industry in terms of the sustainable products we produce and market.</p>

Approved by the board on 22 August 2022 and signed on its behalf by:



S Nixon

Director

5 Fleet Place
London
England
EC4M 7RD

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021 (referred to as "2021" or "year" throughout the financial statements).

Research and development

The Company continues to invest in research and development of new product ranges to promote new and replacement business. New markets have been developed in line with the Company's strategy; key customer relationships are monitored on a regular basis.

Going Concern

The directors have considered the company's strategy and, based on the responses to enquiries, the directors, at the time of approving the financial statements, have determined there is reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. See note 1 for further details.

Future developments

The Company will continue to manufacture and sell speciality paper and non-woven materials, and the directors expect to experience improved financial results in the future.

Dividends

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

Directors

The directors of the Company who were in office during the year and up to the date of signing of the financial statements were:

S Nixon

M Westerkamp (appointed 1 January 2020)

Political contributions

The Company made no political donations or incurred any political expenditure during the current or prior years.

Streamlined Energy and Carbon Reporting (SECR)

The Streamlined Energy and Carbon Reporting (SECR) regulations were implemented on 1 April 2019. This is the second report prepared by the Company and encompasses information in relation to energy and carbon usage for the period from 1 January 2021 to 31 December 2021.

The reporting parameters are the financial year ended 31 December 2021 and cover the operations of the Company in both our Chirnside and Radcliffe plants.

The reporting intensity ratio used is tonnes of CO₂ emission per £million turnover. It is considered that this provides the best representation of activity across the Company and comparison through the industry sector.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy consumption and greenhouse gas emissions

The table below shows the total electricity, natural gas, gas oil and transport fuel consumed by the Company listed above for the period 1 January 2021 to 31 December 2021, as well as details from the prior year for comparison purposes.

Energy Consumption

	2021	2020	Change from 2020	
	<u>kwh/annum</u>		<u>kwh/annum</u>	<u>%</u>
Grid electricity	37,364,430	37,773,300	(408,870)	(1.1%)
Natural gas	114,016,484	128,834,154	(14,817,670)	(11.5%)
Gas oil	14,758,279	66,570	14,691,709	22,069.6%
Transport	272,991	302,978	(29,986)	(9.9%)
Totals	166,412,184	166,977,002	(564,817)	(0.3%)

Greenhouse Gas Emissions

	2021	2020	Change from 2020	
	<u>tCO2e/annum</u>		<u>tCO2e/annum</u>	<u>%</u>
Grid electricity	7,934	8,806	(873)	(9.9%)
Natural gas	20,861	23,923	(3,062)	(12.8%)
Gas oil	3,757	17	3,740	22,130.8%
Transport	65	72	(7)	(10.1%)
Totals	32,616	32,818	(202)	(0.6%)

Intensity Ratio

The energy intensity metric being reported is tCO2e/£million turnover and the results are shown below:

	<u>Emissions</u>	<u>Turnover</u>	<u>Intensity Ratio</u>
	<u>tCO2e/annum</u>	<u>£m</u>	<u>tCO2e/£m turnover</u>
2021	32,616	65.0	501.79
2020	32,818	63.8	514.39

Methodology used for data collection

This methodology follows the Greenhouse Gas (GHG) Reporting Protocol and uses the 2021 Government emission conversion factors for greenhouse gas. Measurement of total energy consumption has focused on the supply of all electricity, natural gas, gas oil/diesel, and transportation fuel. This includes all site consumption related to production activities, office buildings and road vehicle transportation for the business. Estimations and conversions have been undertaken in accordance with the guidelines provided by the Department for Business, Energy and Industrial Strategy.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy efficiency

The Company takes the reduction of its use of fossil fuels and carbon emissions very seriously and energy efficiency plays an important role in the decision-making process. The Company participates in the Energy Saving Opportunities Scheme (ESOS), and strives to introduce more energy efficient technology in its processes.

Actions and initiatives currently underway include:

- Insulation of production machinery.
- Installation of low energy lighting across our sites.
- Energy awareness training programme for employees.
- Employing more energy efficient technologies where possible.

These are just a few examples of activities planned or underway in order that the Company continues to reduce its reliance on fossil fuels through being as energy efficient as possible and to ensure that carbon emissions are minimised.

Disclosure of information to auditor

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

Auditor

Pursuant to section 487 of the companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the board on 22 August 2022 and signed on its behalf by:



S Nixon
Director

5 Fleet Place
London
England
EC4M 7RD

Statement of directors' responsibilities in respect of the strategic report, the 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 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Ahlstrom-Munksjö Chirnside Limited

Opinion

We have audited the financial statements of Ahlstrom-Munksjö Chirnside Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of 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 31 December 2021 and of the company's loss for the year then ended;
- have been properly prepared in accordance UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 the company or to cease their 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 their 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reviewing Board minutes; and
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud. As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because we consider that there are limited incentives and opportunities to fraudulently adjust revenue recognized. We

Independent auditor's report to the members of Ahlstrom-Munksjo Chirnside Limited (continued)

also performed procedures to address the risk of bias in accounting estimates and judgements such as pension assumptions. We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls. We have nothing to report in these respects. We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts; and
- Assessing any significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, copyright law, employment law and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations as a result of our audit procedures.

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.

Independent auditor's report to the members of Ahlstrom-Munksjo Chirnside Limited (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 9, 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.

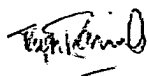
Auditor's responsibilities

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.

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.



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

22 August 2022

**Profit and Loss Account and Comprehensive Income
for the year ended 31 December 2021**

	Note	2021 £'000	2020 £'000
Turnover	3	65,024	63,847
Cost of sales		(59,429)	(55,682)
Gross profit		5,595	8,165
Distribution costs		(588)	(953)
Administrative expenses - normal		(10,606)	(9,619)
Administrative expenses - exceptional	4.1	(7,248)	-
Other operating income	4.2	1,634	1,641
Operating loss		(11,213)	(766)
Other interest receivable and similar income	8	-	478
Interest payable and similar expenses	9	(548)	(148)
Loss before taxation		(11,761)	(436)
Taxation	10	-	-
Loss for the financial year		(11,761)	(436)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	17	9,405	(1,981)
Other comprehensive (loss)/gain for the year, net of income tax		9,405	(1,981)
Total comprehensive loss for the year		(2,356)	(2,417)

The notes on pages 16 to 32 form an integral part of these financial statements.

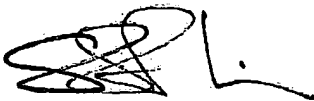
Balance Sheet

as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	11	44,227	26,439
Current assets			
Stocks	13	17,642	12,569
Debtors	14	8,046	7,814
Cash at bank and in hand		1,020	22,282
		<u>26,708</u>	<u>42,665</u>
Creditors: amounts falling due within one year	15	<u>(18,886)</u>	<u>(11,375)</u>
Net current assets		<u>7,822</u>	<u>31,290</u>
Total assets		<u>52,049</u>	<u>57,729</u>
Creditors: amounts falling due after more than one year	16	<u>(1,594)</u>	<u>(1,366)</u>
Provisions for liabilities			
Pension liability	17	1,071	(2,481)
Net assets		<u>51,526</u>	<u>53,882</u>
Capital and reserves			
Called up share capital	18	128,000	128,000
Profit and loss account		<u>(76,474)</u>	<u>(74,118)</u>
Shareholders' funds		<u>51,526</u>	<u>53,882</u>

The notes on pages 16 to 32 form an integral part of these financial statements.

These financial statements on pages 13 to 32 were approved and authorised for issue by the board of directors on 22 August 2022 and signed on its behalf by:



Stuart Nixon

Director

Company registered number: 04033572

Statement of Changes in Equity

	Called up share capital £'000	Profit and loss account £'000	Total Shareholder' s funds £'000
Balance at 1 January 2020	92,000	(69,307)	22,693
Total comprehensive income for the year			
Loss for the financial year	-	(436)	(436)
Other comprehensive loss	-	(1,981)	(1,981)
Total comprehensive loss for the year	-	(2,417)	(2,417)
Transactions with owners, recorded directly in equity			
Issue of shares	36,000	-	36,000
Interest arising on debt owed to shareholder now converted to shares	-	(2,394)	(2,394)
Total contributions by and distributions to owners	36,000	(2,394)	33,606
Balance at 31 December 2020	128,000	(74,118)	53,882

	Called up share capital £'000	Profit and loss account £'000	Total Shareholder' s funds £'000
Balance at 1 January 2021	128,000	(74,118)	53,882
Total comprehensive income for the year			
Loss for the financial year	-	(11,761)	(11,761)
Other comprehensive income	-	9,405	9,405
Total comprehensive loss for the year	-	(2,356)	(2,356)
Balance at 31 December 2021	128,000	(76,474)	51,526

The notes on pages 16 to 32 form an integral part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

Ahlstrom-Munksjö Chimside Limited ("the Company") is a private company incorporated, domiciled and registered in the UK. The registered number of the company is 04033572 and its registered office address is 5 Fleet Place, London, England, EC4M 7RD.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") except as noted below.

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

The presentation currency of the financial statements is sterling. All amounts have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Ahlstrom-Munksjö Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Ahlstrom Corporation are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Ahlstrom-Munksjö Corporation, PO Box 329, 00101 Helsinki, Finland.

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

- a Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transaction with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

- * Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the Financial Statements (*continued*)

1 Accounting policies (*continued*)

Going concern

Notwithstanding the loss for the year ended 31 December 2021 of £11.8 million, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Since the year end, the Company has received a loan of £15m from the ultimate parent company, AHLSTROM-MUNKSJÖ OYJ which is repayable in March 2027. This funding has enabled the company to finalise investment in the new machine which will considerably increase both the capacity and efficiency of production of the current product range and expand the capabilities of the company to gain additional growth in existing markets which its original assets are not capable of serving.

The directors have prepared cash flow forecasts in order to assess going concern for a period of at least 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 its existing cash and inter-company loans, and in downside cases funding from its ultimate parent company AHLSTROM-MUNKSJÖ OYJ, will be required to meet its liabilities as they fall due during the going concern assessment period.

The severe but plausible downside scenario considers the potential business impacts of slower than anticipated sales activity from the Company's new asset, along with the impact of increased levels of inflation throughout the going concern period. The Company continually monitors current trade activity and reassesses cash flow forecasts to actual trading results throughout the year. The directors have also performed risk assessments over employees, customers and suppliers and expect to continue to trade at increased capacity within the forecast period given that the demand for key products has proven to be largely unaffected by the COVID-19 pandemic.

Those forecasts are dependent on AHLSTROM-MUNKSJÖ OYJ providing additional financial support during the going concern assessment period. AHLSTROM-MUNKSJÖ OYJ has indicated its intention to continue to make available such funds as are needed by the Company during the going concern assessment period. 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.

Foreign currency

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

Tangible fixed assets

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

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Land and buildings	5-40 years
Plant and equipment	3-20 years

Depreciation is only charged on assets under construction once they are brought into use.

Notes to the Financial Statements (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets (continued)

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

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the statement of comprehensive income over the estimated useful economic lives of the assets to which they relate.

Income based government grants are credited to the statement of comprehensive income in the period to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average purchase price. In the case of work in progress and finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from its existing state to a saleable condition. Provision is made for obsolescent, slow moving and defective stocks.

Impairment excluding stocks and deferred tax assets

Non-financial assets

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

Defined contribution schemes

The defined contribution scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit schemes

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested in managed pension funds. This scheme was closed on 3 July 2007.

The defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Company's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits (continued)

benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit schemes comprise actuarial gains and losses, the return on scheme assets (greater or less than discount rate) and the change in irrecoverable surplus, other than interest). The Company recognises them immediately in

other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of comprehensive income.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

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

Provisions for liabilities

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Turnover

Turnover, which excludes returns, value added tax and trade discounts, represents the invoiced value of sales made during the year, plus the value of consignment stocks used by customers, but not yet invoiced.

Expenses

Research and development expenditure

Expenditure on research activities is recognised in the statement of comprehensive income as an expense as incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance expense on lease liabilities recognised in profit or loss using the effective interest method and the unwinding of the discount on provisions.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Expenses (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method

Exceptional items

Exceptional items comprise items of income and expense that are material in amount and are unlikely to recur, which merit separate disclosure in order to give an understanding of the company's financial position and its underlying financial performance.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Leases

The Company applied IFRS 16 using the modified retrospective approach on transition. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be

payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Critical accounting estimates

The Company makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the related actual results. The directors considered the critical accounting estimates and judgements used in the financial statements and concluded that the main areas are as follows:

Employee benefits – defined benefit pension plans

A qualified independent actuary undertakes the estimating of the Company's obligations under the defined benefit scheme using assumptions taken from a range of possible actual assumptions. These assumptions may not be borne out in practice especially due to the long timescales involved. Changes in the key assumptions which include inflation, mortality, expected return on assets and discount rates could have a significant impact on the profit or loss for the period and the financial position of the Company. The estimates, and the effect of variances in key estimates, are disclosed in note 17.

Notes to the Financial Statements *(continued)*

3 Turnover

The turnover and pre-tax loss, which arises in the UK, is attributable to one activity, the manufacture and sale of speciality paper and non-woven materials.

By geographical market	2021 £'000	2020 £'000
UK	5,792	5,853
EU	36,829	33,687
Rest of the World	22,403	24,307
	<u>65,024</u>	<u>63,847</u>

4.1 Administrative expense – exceptional item

	2021 £'000	2020 £'000
Exceptional items	(7,248)	-
	<u>(7,248)</u>	<u>-</u>

Exceptional items relate to costs associated with the defined benefit pension scheme buy-out.

4.2 Other operating income

	2021 £'000	2020 £'000
Government grants	1,632	1,633
Other income	2	8
	<u>1,634</u>	<u>1,641</u>

Government grants relate to the Government's exemption and compensation scheme for Energy Intensive industries.

5 Expenses and auditors' remuneration

Auditor's remuneration:

	2021 £'000	2020 £'000
Audit of these financial statements	61	61
	<u>61</u>	<u>61</u>

Notes to the Financial Statements (*continued*)

6 Staff numbers and costs

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2021 Number	2020 Number
Production	179	171
Selling and distribution	10	10
Administration	9	9
	<u>198</u>	<u>190</u>

The aggregate payroll costs of these persons were as follows:

	2021 £'000	2020 £'000
Wages and salaries	7,847	7,494
Social security costs	961	827
Other pension costs *	8,012	1,204
	<u>16,820</u>	<u>9,525</u>

* Included within pension costs are exceptional items of £7,248,000, see note 4.1.

7 Directors' remuneration

	2021 £'000	2020 £'000
Directors' remuneration	330	162
Company contributions to money purchase pension schemes	10	9
	<u>340</u>	<u>171</u>

Retirement benefits are accruing to 1 (2020:1) director under money purchase pension schemes.

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £340,000 (2020: £171,000), and Company pension contributions of £9,528 (2020: £9,039) were made to a money purchase scheme on his behalf. He is a member of a defined benefit scheme, under which his accrued pension at year end was £4,375 (2020: £4,375), and his accrued lump sum was £0 (2020:£0).

Notes to the Financial Statements *(continued)*

8 Other interest receivable and similar income

	2021 £'000	2020 £'000
Other interest	-	4
Net foreign exchange gain	-	474
	<u>-</u>	<u>478</u>
	<u>-</u>	<u>478</u>

9 Interest payable and similar expenses

	2021 £'000	2020 £'000
Amounts owed to group undertakings	58	26
Net interest on net defined benefit pension liability	63	25
Net foreign exchange loss	310	-
Interest expense on lease liabilities	117	97
	<u>548</u>	<u>148</u>
	<u>548</u>	<u>148</u>

10 Taxation

Recognised in the profit and loss account

	2021 £'000	2020 £'000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax (see note 12)</i>		
Origination and reversal of temporary differences	-	-
Total Deferred Tax	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>
Tax recognised in other comprehensive income	<u>-</u>	<u>-</u>
Total Tax	<u>-</u>	<u>-</u>

Notes to the Financial Statements *(continued)*

10 Taxation *(continued)*

Reconciliation of effective tax rate

	2021 £'000	2020 £'000
Loss for the year	(11,761)	(436)
Total tax expenses	-	-
Loss excluding taxation	(11,761)	(436)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(2,235)	(83)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(1,242)	216
Tax losses carried forward and not recognised	(993)	(299)
	-	-
	<u>-</u>	<u>-</u>

Tax losses are deemed recoverable against future profits. Total unrecognised tax losses in the group are £51,905,056 (2020: £46,678,162). The UK budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023. Under IAS 12, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date. Consequently, deferred tax should continue to be calculated at 19% until the 25% tax rate has been substantively enacted.

This will have a consequential effect on the Company's future tax charge, should deferred tax be recognised in the future. See note 12.

Notes to the Financial Statements *(continued)*

11 Tangible fixed assets

	Land and buildings £'000	Plant and equipment £'000	Under construction £'000	Total £'000
Cost				
At 1 January 2021	10,751	56,409	19,486	86,646
Additions	156	854	17,841	18,851
Transfers	37	540	(577)	-
Disposals	-	(60)	-	(60)
At 31 December 2021	10,944	57,743	36,750	105,437
Accumulated depreciation				
At 1 January 2021	7,959	52,248	-	60,207
Charge for the year	194	869	-	1,063
Disposals	-	(60)	-	(60)
At 31 December 2021	8,153	53,057	-	61,210
Net book value				
At 31 December 2021	2,791	4,686	36,750	44,227
At 31 December 2020	2,792	4,161	19,486	26,439

Capital Commitments

During 2021, the Company entered into a contract to purchase property, plant and equipment for £1,969,000.

Right-of-use assets

At 31 December 2021, property, plant and equipment includes right-of-use assets as follows:

	Land and buildings £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Right-of-use asset				
At 31 December 2021	1,088	1,007	-	2,095

Notes to the Financial Statements (continued)

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

The deferred tax assets in respect of employee benefits and tax losses carried forwards are not recognised, as the Directors consider that there is uncertainty with regards to the probability and also the timing that they are likely to be recovered through future taxable profits.

13 Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	10,037	5,982
Work in progress	2,671	1,753
Finished goods	4,934	4,834
	<u>17,642</u>	<u>12,569</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £35.9 million (2020: £35.0 million). The write-down of stocks to net realisable value amounted to £127,230 (2020: £6,647). The reversal of write-downs in the current year amounted to £209,839 (2020:£0).

14 Debtors

	2021 £'000	2020 £'000
<i>Due within one year:</i>		
Trade debtors	5,284	5,462
Amounts owed by group undertakings	18	62
Other debtors	2,514	2,257
Prepayments and accrued income	230	33
	<u>8,046</u>	<u>7,814</u>

Amounts owed by group undertakings are unsecured, payable on demand and have no interest payable on them. As at 31 December 2021 a credit loss provision of £25,317 (2020: £481,151) is included within trade debtors.

15 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Lease liabilities	347	204
Trade creditors	16,070	8,064
Amounts due to group undertakings	1,114	4
Other taxation and social security	500	787
Accruals and deferred income	153	355
Other creditors	702	1,961
	<u>18,886</u>	<u>11,375</u>

Notes to the Financial Statements *(continued)*

16 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Lease liabilities	1,594	1,366
	<u>1,594</u>	<u>1,366</u>

Lease liabilities

Lease liabilities as at 31 December 2021, calculated in accordance with IFRS 16, are repayable as follows:-

	2021 Minimum lease payments £'000	2021 interest £'000	2021 Principal £'000
Within one year (note 15)	454	107	347
Between 1 and 2 years	354	90	264
Between 2 and 5 years	469	219	250
More than 5 years	3,383	2,303	1,080
	<u>4,660</u>	<u>2,719</u>	<u>1,941</u>

Notes to the Financial Statements (continued)

17 Employee benefits

The information disclosed below is in respect of the whole of the schemes for which the Company is either the sponsoring employer or has been allocated a share of cost under agreed group policy throughout the years shown.

	2021 £'000	2020 £'000
Defined benefit asset	(62,078)	(66,770)
Effect of net asset ceiling	800	7,881
Total defined benefit asset	(61,278)	(58,889)
Total defined benefit liability	60,207	61,370
Net liability/(asset) for defined benefit obligations	(1,071)	2,481

Defined benefit scheme

The Company participates in The Ahlstrom Pension Scheme which is now closed to further contributions. The latest actuarial valuation as at 31 December 2021 was carried out on 8 March 2022, by Harvey and Clamp, independent qualified actuaries.

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Balance at 1 January	61,370	56,445	(58,889)	(53,970)	2,481	2,475
Included in profit or loss						
Past service cost	-	500	-	-	-	500
Settlement (gain)/loss	-	-	7,248	-	7,248	-
Interest cost/(income)	908	1,113	(845)	(1,088)	63	25
	908	1,613	6,403	(1,088)	7,311	525
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic assumptions	(181)	793	-	-	(181)	793
- Change in financial assumptions	2,243	5,670	-	-	2,243	5,670
- Experience adjustment	(1,692)	(194)	-	-	(1,692)	(194)
Return on scheme assets (less)/greater than discount rate	-	-	(2,576)	(4,836)	(2,576)	(4,836)
Change in irrecoverable surplus other than interest	-	-	(7,199)	548	(7,199)	548
	370	6,269	(9,775)	(4,288)	(9,405)	1,981
Other						
Contributions paid by the employer	-	-	(1,458)	(2,500)	(1,458)	(2,500)
Disbursements paid from scheme assets	(2,441)	(2,957)	2,441	2,957	-	-
Balance at 31 December	60,207	61,370	(61,278)	(58,889)	(1,071)	2,481

Notes to the Financial Statements (continued)

17 Employee benefits (continued)

Scheme assets	2021	2020
	£'000	£'000
Gilts	-	29,852
Bonds	1,340	13,616
Cash and cash equivalents	2,231	3,525
Insured Pensioner Asset	58,507	19,777
Total	62,078	66,770

Interest cost/(income) recognised in profit or loss	2021	2020
	£'000	£'000
Interest (income)	(55)	(119)
Interest cost on irrecoverable surplus	118	144
Interest cost/(Income) (note 9)	63	25

Scheme assets do not include any of Ahlstrom-Munksjö Chimside Limited's own financial instruments, or any property occupied by Ahlstrom-Munksjö Chimside Limited.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates on return experiences in the respective markets.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2021	2020
Discount rate at 31 December	1.65%	1.5%
Expected rate of return on assets	1.65%	1.5%
Price inflation - RPI	3.9%	3.4%
Price inflation - CPI	3.4%	2.9%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22 years
- Future retiree upon reaching 65: 23.2 years.

No sensitivity analysis has been carried out due to pension scheme buy-out.

Notes to the Financial Statements (continued)

17 Employee benefits (continued)

Mortality Assumptions

The mortality assumptions for the Ahlstrom Pension Scheme are based on the latest Self-Administered Pension Scheme (SAPS) mortality tables, known as S3. The same tables were used in 2020. Future improvements are based on the CMI 2020 tables with core parameters (CMI 2019 tables were used in 2020). A long-term improvement rate of 1.5% pa for males and 1.25% pa for females was assumed (the same assumption was made in 2020).

No adjustments have been made to the mortality assumptions at the 2021 year-end to reflect the potential effects of Covid-19 as it was too soon to make a meaningful judgement on the impact of the pandemic on future mortality rates. The benefits were secured in full via a buy-in contract during the year and we are not aware that insurers are making any allowance for the potential effects of Covid-19 on future mortality rates.

Buy-out Policy

On 20 September 2021, the Trustees of the UK Pension Plan (the Ahlstrom Pension Scheme) signed a Bulk Annuity Policy with Legal & General. This provides insurance for pension liabilities under the UK Pension Plan. The terms of the buy-out policy provide for Legal & General to issue individual policies to beneficiaries under the UK Pension Plan which will replace the obligations of the UK Pension Plan to pay benefits for members. Once the individual policies are issued, members' benefits will be fully insured and full buy-out achieved, which will enable the wind-up of the UK Pension Plan.

As there is a high degree of confidence that full buy-out will be achieved, the purchase of the buy-out policy has been recognised as a settlement through profit and loss at 20 September 2021.

Whilst the UK Pension Plan is in the buy-in phase of the transaction with Legal & General, the Group is obliged to continue to engage a firm of actuaries to carry out an independent valuation of Plan liabilities for accounting purposes, and to disclose the gross assets and liabilities of the UK Pension Plan. As the buy-in insurance policy covers the whole of the defined benefit obligation, it offsets the value of the obligation, generating a £1.071 million surplus (before allowance for deferred tax) after allowing for other remaining assets and estimated wind up expenses. Once the buy-out phase is complete and the Trustee has fully discharged its liabilities to Plan members and received any refund of surplus, the Group will no longer recognise any asset or obligation relating to the UK Pension Plan

18 Called up share capital

Called up share capital	Ordinary shares	
	2021	2020
In thousands of shares		
On issue at 1 January	128,000	92,000
Issued shares	-	36,000
On issue at 31 December – fully paid	<u>128,000</u>	<u>128,000</u>
	2021	2020
Allotted, called up and fully paid	£'000	£'000
128 million (2020: 128 million) Ordinary shares of £1 each	<u>128,000</u>	<u>128,000</u>

Issued and Allotted, Called up and Fully Paid Share Capital increased by £36,000,000 on 27th November 2020 by converting existing intercompany loan amounts to equity of £20,000,000 and issuance of equity for cash of £16,000,000. All shares were taken up by Ahlstrom-Munksjö Oyj. Ordinary shares rank pari passu as to voting rights and distribution of capital.

Notes to the Financial Statements (*continued*)

19 Leases

Leases as a lessee (IFRS 16)

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11):

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Balance at 1 January 2021	1,062	659	1,721
Additions to right-of-use assets	65	660	725
Depreciation charge for the year	39	312	351
Balance at 31 December 2021	<u>1,088</u>	<u>1,007</u>	<u>2,095</u>

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the company is a lessee:

Leases under IFRS 16

	2021	2020
Interest expense on lease liabilities	117	97
Depreciation of right-of-use assets	351	194
	<u>468</u>	<u>291</u>

20 Related parties

The Company has applied the exemption available under FRS 101 in respect of the requirement to disclose related party transactions with other wholly owned group members.

21 Ultimate parent company and parent undertaking of largest group of which the company is a member

The Company is a subsidiary undertaking of Ahlstrom-Munksjö Oyj which is incorporated in Finland. The ultimate controlling party is Ahlstrom-Munksjö Oyj.

The smallest and largest group in which the results of the Company are consolidated is that headed by Ahlstrom-Munksjö Corporation. The consolidated financial statements of this company are available to the public and may be obtained from Ahlstrom-Munksjö Corporation, PO Box 329, 00101 Helsinki, Finland.