

Registered number: 04033572

# Ahlstrom-Munksjö Chirnside Limited

Annual report and financial statements

31 December 2020



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## Strategic report

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

### 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 decreased from £2.088 million in the previous year to £0.766 million in 2020, which included a GMP equalisation adjustment of £0.5m recognised in the year. Loss before taxation reduced from £3.439 million to £0.436 million. Turnover at £63.847 million was up 9.8% in comparison to the previous year.

The Company's financial position at the end of the year was net current assets of £31.289 million (2019: net current assets £24.885 million) and net assets of £53.882 million (2019: £22,693 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.

### 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.

	2020	2019	Measure
<b>Financial</b>			
Loss on capital	(1)%	(15)%	Loss before taxation/net assets
Working capital days of sales	179	156	Working capital/turnover x 365
Sales per employee (£'000)	336	316	Turnover/average number of employees
<b>Non-financial</b>			
Accident Frequency Rate	0.40	2.00	Total lost time accidents/hours worked x 1,000,000
Specific Energy Consumption (SEC)	12.90	8.80	Mwh per tonne produced
Carbon dioxide emitted	19.501	18.496	Tonnes (000)
Total waste removed from site	0.366	0.180	Tonnes (000)
Specific effluent discharge	323.9	397.0	M <sup>3</sup> per tonne produced
Total water used	3,266.8	3,346.7	M <sup>3</sup> (000)

## Strategic report (continued)

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

The Board of Ahlstrom-Munksjö Chirnside 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 Chirnside 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 Chirnside 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 Chirnside 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 2020, 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 37 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 Q3/2021.

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
<b>Shareholders</b>  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 Chirnside 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 Chirnside Limited are employees of the Ahlstrom-Munksjö group and therefore our business processes ensure that shareholders are considered in our decision making.
<b>Customers</b>  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.
<b>Suppliers</b>  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 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><b>Workforce</b></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><b>Community/wider society</b></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 &amp; 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 21 July 2021 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 2020 (referred to as "2020" 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.

### **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 first such report prepared by the Company and encompasses information in relation to energy and carbon usage for the period from 1 January 2020 to 31 December 2020.

The reporting parameters are the financial year ended 31 December 2020 and cover the operations of the Company in both our Chirnside and Radcliffe plants.

The reporting intensity ratio used is tonnes of CO<sub>2</sub> 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 and its subsidiaries listed above for the period 1 January 2020 to 31 December 2020.

<b>Energy Consumption</b>			<b>Greenhouse Gas Emissions</b>		
1 January 2020 - 31 December 2020			1 January 2020 - 31 December 2020		
	kWh/annum	%		tCO <sub>2</sub> e/annum	%
Grid electricity	37,773,300	22.6	Grid electricity	8,806	26.8
Natural gas	128,834,154	77.2	Natural gas	23,923	72.9
Gas oil	66,570	0.0	Gas oil	17	0.1
Transport	302,978	0.2	Transport	72	0.2
<b>Totals</b>	<b>166,977,002</b>	<b>100</b>	<b>Totals</b>	<b>32,818</b>	<b>100</b>

#### Intensity Ratio

The energy intensity metric being reported is tCO<sub>2</sub>e/£million turnover and the results are shown below:

2020	Emissions	Turnover	Intensity Ratio
	tCO <sub>2</sub> e/annum	£m	tCO <sub>2</sub> e/£m turnover
<b>Total</b>	<b>32,818</b>	<b>63.8</b>	<b>514.39</b>

#### Methodology used for data collection

This methodology follows the Greenhouse Gas (GHG) Reporting Protocol and uses the 2020 Government emission conversion factors for greenhouse gas. Measurement of total energy consumption has focussed 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.

#### 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.

## **Directors' report (*continued*)**

### **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 21 July 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'S Nixon', with a long horizontal line extending to the right.

**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 2020 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 2020 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 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.

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

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.

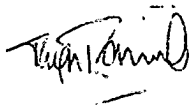
### **Auditor's responsibilities**

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](http://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  
21 July 2021

**Profit and Loss Account and Comprehensive Income  
for the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000
<b>Turnover</b>	3	63,847	58,129
Cost of sales		(55,682)	(52,628)
<b>Gross profit</b>		8,165	5,501
Distribution costs		(953)	(921)
Administrative expenses		(9,619)	(8,625)
Other operating income	4	1641	1,957
<b>Operating loss</b>		(766)	(2,088)
Other interest receivable and similar income	8	478	39
Interest payable and similar expenses	9	(148)	(1,390)
<b>Loss before taxation</b>		(436)	(3,439)
Taxation	10	-	-
<b>Loss for the financial year</b>		(436)	(3,439)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	17	(1,981)	(2,476)
<b>Other comprehensive loss for the year, net of income tax</b>		(1,981)	(2,476)
<b>Total comprehensive loss for the year</b>		(2,417)	(5,915)

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

## Balance Sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	26,439	19,244
<b>Current assets</b>			
Stocks	13	12,569	11,598
Debtors	14	7,814	8,108
Cash at bank and in hand		22,282	14,446
		<u>42,665</u>	<u>34,152</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(11,375)</u>	<u>(9,267)</u>
<b>Net current assets</b>		<u>31,290</u>	<u>24,885</u>
<b>Total assets</b>		<u>57,729</u>	<u>44,129</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(1,366)	(18,961)
<b>Provisions for liabilities</b>			
Pension liability	17	(2,481)	(2,475)
<b>Net assets</b>		<u>53,882</u>	<u>22,693</u>
<b>Capital and reserves</b>			
Called up share capital	18	128,000	92,000
Profit and loss account		(74,118)	(69,307)
<b>Shareholders' funds</b>		<u>53,882</u>	<u>22,693</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 21 July 2021 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
<b>Balance at 1 January 2019</b>	92,000	(63,392)	28,608
<b>Total comprehensive income for the year</b>			
Loss for the financial year	-	(3,439)	(3,439)
Other comprehensive loss	-	(2,476)	(2,476)
<b>Total comprehensive loss for the year</b>	-	(5,915)	(5,915)
<b>Balance at 31 December 2019</b>	<b>92,000</b>	<b>(69,307)</b>	<b>22,693</b>

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

## Notes to the Financial Statements

### 1 Accounting policies

Ahlstrom-Munksjö Chirnside 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 net current assets of £31.2m as at 31 December 2020 and a loss for the year then ended of £0.4m, 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 a period of at least 12 months from the date of approval of these financial statements which take into account reasonably possible downsides scenarios which include the potential business impacts of slower than anticipated sales ramp up from the new asset. 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 full capacity within the forecast period given that the demand for key products has proven to be largely unaffected by the COVID-19 pandemic. These forecasts indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

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.

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.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### *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 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.

## **1 Accounting policies (continued)**

### ***Employee benefits (continued)***

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.

#### ***Operating lease payments (policy applicable before 1 January 2019)***

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

#### ***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. 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

### ***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.

## 1 Accounting policies (continued)

### *Taxation (continued)*

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.

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.

## Notes to the Financial Statements (*continued*)

### 1 Accounting policies (*continued*)

#### *Leases (continued)*

##### *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	2020 £'000	2019 £'000
UK	5,853	6,466
EU	33,687	32,565
Rest of the World	24,307	19,098
	<u>63,847</u>	<u>58,129</u>

### 4 Other operating income

	2020 £'000	2019 £'000
Government grants	1,633	1,691
Other income	8	266
	<u>1,641</u>	<u>1,957</u>

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

### 5 Expenses and auditors' remuneration

Auditor's remuneration:

	2020 £'000	2019 £'000
Audit of these financial statements	61	54
	<u>61</u>	<u>54</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:

	2020 Number	2019 Number
Production	171	165
Selling and distribution	10	10
Administration	9	9
	<u>190</u>	<u>184</u>

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	7,494	7,057
Social security costs	827	791
Other pension costs	1,204	616
	<u>9,525</u>	<u>8,464</u>

### 7 Directors' remuneration

	2020 £'000	2019 £'000
Directors' remuneration	162	133
Company contributions to money purchase pension schemes	9	10
	<u>171</u>	<u>143</u>

Retirement benefits are accruing to 1 (2019: 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 £161,607 (2019: £133,360), and Company pension contributions of £9,039 (2019: £9,540) 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 (2019: £4,375), and his accrued lump sum was £0 (2019: £0).

## Notes to the Financial Statements (*continued*)

### 8 Other interest receivable and similar income

	2020 £'000	2019 £'000
Other interest	4	39
Net foreign exchange gain	474	-
	<u>478</u>	<u>39</u>

### 9 Interest payable and similar expenses

	2020 £'000	2019 £'000
Amounts owed to group undertakings	26	703
Net interest on net defined benefit pension liability	25	36
Net foreign exchange loss	-	562
Interest expense on lease liabilities	97	89
	<u>148</u>	<u>1,390</u>

### 10 Taxation

#### Recognised in the profit and loss account

	2020 £'000	2019 £'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

	2020 £'000	2019 £'000
Loss for the year	(436)	(3,439)
Total tax expenses	-	-
Loss excluding taxation	(436)	(3,439)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(83)	(653)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	216	180
Tax losses carried forward and not recognised	(299)	(833)
	-	-

Tax losses are deemed recoverable against future profits. Total unrecognised tax losses in the group are £46,678,162 (2019: £45,105,163). 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
<b>Cost</b>				
At 1 January 2020	10,718	55,801	11,981	78,500
Additions	-	289	7,927	8,216
Transfers	33	389	(422)	-
Disposals	-	(70)	-	(70)
At 31 December 2020	10,751	56,409	19,486	86,646
<b>Accumulated depreciation</b>				
At 1 January 2020	7,782	51,474	-	59,256
Charge for the year	177	844	-	1,021
Disposals	-	(70)	-	(70)
At 31 December 2020	7,959	52,248	-	60,207
<b>Net book value</b>				
At 31 December 2020	2,792	4,161	19,486	26,439
At 31 December 2019	2,936	4,327	11,981	19,244

#### *Capital Commitments*

During 2020, the Company entered into a contract to purchase property, plant and equipment for £8,183,000.

#### *Right-of-use assets*

At 31 December 2020, 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
<b>Right-of-use asset</b>				
At 31 December 2020	1,062	659	-	1,721

## 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

	2020 £'000	2019 £'000
Raw materials and consumables	5,982	7,107
Work in progress	1,753	705
Finished goods	4,834	3,786
	<u>12,569</u>	<u>11,598</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £35.0 million (2019: £33.1 million). The write-down of stocks to net realisable value amounted to £6,647 (2019: £64,441). There was no reversal of write-downs in the current or prior years.

### 14 Debtors

	2020 £'000	2019 £'000
<i>Due within one year:</i>		
Trade debtors	5,462	6,306
Amounts owed by group undertakings	62	135
Other debtors	2,257	1,626
Prepayments and accrued income	33	41
	<u>7,814</u>	<u>8,108</u>

Amounts owed by group undertakings are unsecured, payable on demand and have no interest payable on them. As at 31 December 2020 a credit loss provision of £481,151 (2019: £486,213) is included within trade debtors.

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

	2020 £'000	2019 £'000
Lease liabilities	204	140
Trade creditors	8,064	8,183
Amounts due to group undertakings	4	-
Other taxation and social security	787	502
Accruals and deferred income	355	156
Other creditors	1,961	286
	<u>11,375</u>	<u>9,267</u>

## Notes to the Financial Statements *(continued)*

### 16 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	-	17,606
Lease liabilities	1,366	1,355
	<u>1,366</u>	<u>18,961</u>

#### *Lease liabilities*

Lease liabilities as at 31 December 2020, calculated in accordance with IFRS 16, are repayable as follows:-

	2020 Minimum lease payments £'000	2020 interest £'000	2020 Principal £'000
Within one year (note 15)	296	92	204
Between 1 and 2 years	250	81	169
Between 2 and 5 years	327	212	115
More than 5 years	3,456	2,374	1,082
	<u>4,329</u>	<u>2,759</u>	<u>1,570</u>

#### *Amounts owed to group undertakings*

During the year a £20 million loan that was entered into in 2018 with the parent company was converted into share capital. The conversion occurred on 27<sup>th</sup> November 2020. The accrued interest associated with the debt has been adjusted through other comprehensive income.

## 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.

	2020 £'000	2019 £'000
Defined benefit asset	(66,770)	(61,159)
Effect of net asset ceiling	7,881	7,189
Total defined benefit asset	(58,889)	(53,970)
Total defined benefit liability	61,370	56,445
<b>Net liability for defined benefit obligations</b>	<b>2,481</b>	<b>2,475</b>

### 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 2020 was carried out on 11 December 2020, by Harvey and Clamp, independent qualified actuaries. The Company has agreed to pay £2.5 million in contributions to its defined benefit plans in 2021.

#### Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Balance at 1 January	56,445	52,883	(53,970)	(50,420)	2,475	2,463
<b>Included in profit or loss</b>						
Past service cost	500	-	-	-	500	-
Interest cost/(income)	1,113	1,564	(1,088)	(1,528)	25	36
	1,613	1,564	(1,088)	(1,528)	525	36
<b>Included in OCI</b>						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic assumptions	793	(885)	-	-	793	(885)
- Change in financial assumptions	5,670	5,998	-	-	5,670	5,998
- Experience adjustment	(194)	(33)	-	-	(194)	(33)
Return on scheme assets (less)/greater than discount rate	-	-	(4,836)	(5,143)	(4,836)	(5,143)
Change in irrecoverable surplus other than interest	-	-	548	2,539	548	2,539
	6,269	5,080	(4,288)	(2,604)	1,981	2,476
<b>Other</b>						
Contributions paid by the employer	-	-	(2,500)	(2,500)	(2,500)	(2,500)
Disbursements paid from scheme assets	(2,957)	(3,082)	2,957	3,082	-	-
<b>Balance at 31 December</b>	<b>61,370</b>	<b>56,445</b>	<b>58,889</b>	<b>(53,970)</b>	<b>2,481</b>	<b>2,475</b>

## Notes to the Financial Statements *(continued)*

### 17 Employee benefits *(continued)*

Scheme assets	2020 £'000	2019 £'000
Gilts	29,852	26,781
Bonds	13,616	12,340
Cash and cash equivalents	3,525	2,703
Insured Pensioner Asset	19,777	19,335
<b>Total</b>	<b>66,770</b>	<b>61,159</b>

Interest cost/(income) recognised in profit or loss	2020 £'000	2019 £'000
Interest (income)	(119)	(99)
Interest cost on irrecoverable surplus	144	135
<b>Interest cost/(Income) (note 9)</b>	<b>25</b>	<b>36</b>

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:

	2020	2019
Discount rate at 31 December	1.5%	2.0%
Expected rate of return on assets	1.5%	2.0%
Price inflation - RPI	3.4%	3.3%
Price inflation - CPI	2.9%	2.8%

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.



## Notes to the Financial Statements (continued)

### 17 Employee benefits (continued)

#### Sensitivity analysis

The calculation of the defined benefit scheme is sensitive to the assumptions set out on the previous page. The below summaries how the impact on the defined benefit obligation at the end of the reporting period would have increased/decreased by as a result of a change in the discount rate by 0.5 percent.

#### Discount rate

The effect of reducing the discount rate by 0.5% per annum to 1.00% would be to increase the net defined benefit liability by £7,000 to £2,488,000.

The effect of increasing the discount rate by 0.5% per annum to 2.00% would be to decrease the net defined benefit liability by £6,000 to £2,475,000.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2020 and are applied to adjust the defined benefit obligation at the end of the reporting year for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

### 18 Called up share capital

Called up share capital	Ordinary shares	
	2020	2019
In thousands of shares		
On issue at 1 January	92,000	92,000
Issued shares	36,000	-
On issue at 31 December – fully paid	<u>128,000</u>	<u>92,000</u>
	2020	2019
Allotted, called up and fully paid	£'000	£'000
128 million (2019: 92 million) Ordinary shares of £1 each	<u>128,000</u>	<u>92,000</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 paripassu 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 2020	1,083	561	1,644
Additions to right-of-use assets	-	271	271
Depreciation charge for the year	21	173	194
Balance at 31 December 2020	<u>1,062</u>	<u>659</u>	<u>1,721</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

	2020	2019
Interest expense on lease liabilities	97	89
Depreciation of right-of-use assets	194	149
	<u>291</u>	<u>238</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.