Company No: 01374033 (England and Wales)

MANN + HUMMEL VOKES-AIR LIMITED

Annual Report and Financial Statements

For the financial year ended 31 December 2019

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MANN + HUMMEL VOKES-AIR LIMITED

COMPANY INFORMATION

For the financial year ended 31 December 2019

DIRECTORS	D A Connolly K F Nipah
REGISTERED OFFICE	Farrington Road Burnley Lancashire BB11 5SY United Kingdom
COMPANY NUMBER	01374033 (England and Wales)
AUDITOR	Ernst & Young LLP Statutory Auditor No. 1 Colmore Square Birmingham B4 6HQ United Kingdom
BANKERS	Bank of America 26 Elmfield Road Bromley Kent BR1 1WA United Kingdom

MANN + HUMMEL VOKES-AIR LIMITED

STRATEGIC REPORT

For the financial year ended 31 December 2019

The directors present their Strategic Report for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company during the year was the manufacture and distribution of air filters and related hardware and systems. There have not been any significant changes in the Company's principal activities in the year under review and none are planned for next year.

The state of the Company's affairs is shown in the annexed financial statements. Total turnover was £9,180,000 (2018: £9,728,000) which was impacted by a decrease in intercompany turnover but a slight increase in external turnover. Margin remained steady year on year, despite pressure as a result of the value of the pound. The Company reports an operating profit of £115,000 (2018: £108,000). Retained profit for the year was £76,000 (2018: £20,000). The profit for the year has been transferred to reserves.

Management consider turnover to be the key performance indicator for the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company will continue to operate in a competitive market sector but differentiates itself through quality products, excellent service and delivery performance. Stocking policies ensure that product is available to the market at a short lead time in order to maximise sales potential and develop strong customer relationships.

The Company's trade business is essentially domestic. Export business, in the main, takes the form of sales to Group undertakings which represented 6% of total revenue during the year (2018 : 4%).

Regarding future prospects, the directors consider that the Company has a competitive cost base and is well placed to leverage its product quality and delivery capability.

PUBLIC HEALTH RISK

There is additional market and operational risk due to the current economic and societal impacts following the outbreak of the coronavirus Covid-19 in the UK and globally in late February and March 2020. The directors expect this to affect the remainder of 2020 and recognise the increase in these risks on the business. Risk to employee health and well being and reputational risk should also be considered.

The mitigants and controls applicable to these risks generally continue to apply in the unique situation of Covid-19 and further with the robust controls of the operation of the Company's Business Continuity Plan, which includes minimisation of employee health risks, greater employee well being monitoring, external and internal fraud controls, increased communications within and out of the Company and increased risk oversight and compliance monitoring. The Company has made full use of the government furlough scheme and also deferred VAT repayment in line with the guidance, the management and white collar staff also took a temporary 10% pay cut in order to maintain profitability. All non-essential expenditure was stopped and, by default, travel discontinued.

FUTURE DEVELOPMENTS

The directors expects the general level of activity to increase compared to the previous year, driven by increased activity from new product ranges available in 2019.

Approved by the Board of Directors and signed on its behalf by:

26-01-21

D A Connolly
Director

Farrington Road
Burnley
Lancashire
BB11 5SY
United Kingdom

Date:

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the financial year ended 31 December 2019.

The principal activity, principal risks and uncertainties and future developments can be found in the Strategic Report and form part of this report by cross-reference.

GOING CONCERN

During the year, the Company made a profit before tax of £93,000 (2018: £86,000). The Company's directors have prepared forecasts for a period in excess of 12 months following the date of approval of these financial statements running to 31 December 2021. During the year and in the post Balance Sheet period, the directors are focused on the continued improvement of the operating results.

In addition, a letter of support has been granted by the directors of Mann + Hummel Vokes Air Holding AB, an intermediate parent company incorporated in Sweden, confirming continuing financial support for at least 12 months from the date of approval of these financial statements, and that the extinguished of the intercompany balances will not be required within 12 months from the date of the approval of these financial statements.

The financial statements have been prepared on the going concern basis as the directors are of the view, on the basis of the forecasts prepared and the support letter received, that there is a reasonable expectation that the Company has adequate resources to continue as an operational business for the foreseeable future.

Since the period under review, the rapid spreading of Covid-19 has become a significant emerging risk to the global economy. As a business that was considered "essential" in the fight against coronavirus, the Company continued to operate, albeit on a reduced level, and as such has been able to remain financially stable with the support of the government furlough scheme and other internal measures. New products onto the market and the increased demand for various air filtration products has meant that the outlook for the future is not adversely affected by the pandemic. The directors continue to monitor the impact of the virus on the business as more information about the epidemic emerges. At the time of signing the directors do not consider Covid-19 to impact the Company's ability to continue as a going concern and considers the Balance Sheet to be appropriately valued.

EVENTS AFTER THE BALANCE SHEET DATE

In the first quarter of 2020 the Covid-19 pandemic reached the UK, resulting in national lockdown and extensive restrictions being enforced across the country. The Company has made full use of the government furlough scheme and also deferred VAT repayment in line with the guidance, the management and white collar staff also took a temporary 10% pay cut in order to maintain profitability. All non-essential expenditure was stopped and, by default, travel discontinued.

The directors consider the Covid-19 outbreak to be a non-adjusting post Balance Sheet event due to the worldwide spread of the virus, together with the corresponding economic impact and public health measures, occurring after the Balance Sheet date, rather than reflecting events or conditions in place as at 31 December 2019.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Exchange rates and interest rates are monitored on a regular basis by the directors.

Credit risk

The Company's principal financial assets are bank balances and cash, trade debtors and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the Balance Sheet are net of allowances for doubtful trade debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses short-term debt finance.

DIRECTORS

The directors, who served during the financial year and to the date of this report except as noted, were as follows:

D A Connolly	(Appointed 08 May 2019)
S J Cromie	(Resigned 16 April 2020)
K F Nipah	(Appointed 16 April 2020)

DIRECTORS' INDEMNITIES

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year or prior year.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES AND DEBENTURES

None of the directors had a beneficial interest in the shares of the Company at any time during the current or prior year.

POLITICAL CONTRIBUTIONS

There were no political contributions made in the year (2018: £Nil).

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

26-01-21

D A Connolly
Director

Farrington Road
Burnley
Lancashire
BB11 5SY
United Kingdom

Date:

DIRECTORS' RESPONSIBILITIES STATEMENT

For the financial year ended 31 December 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that financial period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mann + Hummel Vokes-Air Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the financial year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Effects of Covid-19

We draw attention to notes 1 and 18 of the financial statements which describes the directors' consideration of economics and social impacts of Covid-19 on the Company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Stephen Kirk (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor

No. 1 Colmore Square
Birmingham
B4 6HQ
United Kingdom

Date: 27th January 2021

MANN + HUMMEL VOKES-AIR LIMITED

PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2019

	Note	2019	2018
		£'000	£'000
Turnover	3	9,180	9,728
Cost of sales		(6,421)	(6,806)
Gross profit		2,759	2,922
Distribution costs		(1,110)	(1,127)
Administrative expenses		(1,534)	(1,687)
Operating profit		115	108
Interest payable and similar expenses	4	(22)	(22)
Profit before taxation	5	93	86
Tax on profit	9	(17)	(66)
Profit for the financial year attributable to the equity shareholders of the Company		76	20

All amounts relate to continuing operations.

There were no items of other comprehensive income or losses for the current or prior year other than those included in the Profit and Loss Account, accordingly no Statement of Comprehensive Income is presented.

MANN + HUMMEL VOKES-AIR LIMITED

BALANCE SHEET

As at 31 December 2019

	Note	2019	2018
		£'000	£'000
Fixed assets			
Tangible assets	10	2,019	2,060
		2,019	**2,060**
Current assets			
Stocks	11	1,037	1,214
Debtors	12	1,853	1,848
Cash at bank and in hand		628	613
		3,518	**3,675**
Current liabilities			
Creditors: Amounts falling due within one year	13	(2,518)	(2,792)
Net current assets		**1,000**	**883**
Total assets less current liabilities		**3,019**	**2,943**
Net assets		**3,019**	**2,943**
Capital and reserves			
Called-up share capital	15	1,010	1,010
Profit and loss account	15	2,009	1,933
Total shareholders' funds		**3,019**	**2,943**

The financial statements of Mann + Hummel Vokes-Air Limited (registered number: 01374033) were approved and authorised for issue by the Board of Directors on 26-01-21. They were signed on its behalf by:

D A Connolly
Director

MANN + HUMMEL VOKES-AIR LIMITED

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Called-up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 01 January 2019	**1,010**	**1,933**	**2,943**
Profit for the financial year	-	76	76
Total comprehensive income	**-**	**76**	**76**
At 31 December 2019	**1,010**	**2,009**	**3,019**
At 01 January 2018	**1,010**	**1,913**	**2,923**
Profit for the financial year	-	20	20
Total comprehensive income	**-**	**20**	**20**
At 31 December 2018	**1,010**	**1,933**	**2,943**

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies and measurement bases have all been applied consistently throughout the financial year and to the preceding financial year.

General information and basis of accounting

Mann + Hummel Vokes-Air Limited (the Company) is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is C/O Vokes Air Limited, Farrington Road, Burnley, Lancashire, BB11 5SY, United Kingdom.

The principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019.

The functional currency of Mann + Hummel Vokes-Air Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. All amounts in the financial statements have been rounded to the nearest £1,000.

Mann + Hummel Vokes-Air Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Mann + Hummel Vokes-Air Limited is consolidated in the financial statements of its parent, MANN+HUMMEL International GmbH & Co. KG, which can be obtained from Hindenburgstrase 45, 71638 Ludwigsburg, Germany. The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7, and related party disclosures with other wholly owned group companies.

Going concern

During the year, the Company made a profit before tax of £93,000 (2018: £86,000). The Company's directors have prepared forecasts for a period in excess of 12 months following the date of approval of these financial statements running to 31 December 2021. During the year and in the post Balance Sheet period, the directors are focused on the continued improvement of the operating results.

In addition, a letter of support has been granted by the directors of Mann + Hummel Vokes Air Holding AB, an intermediate parent company incorporated in Sweden, confirming continuing financial support for at least 12 months from the date of approval of these financial statements, and that the extinguished of the intercompany balances will not be required within 12 months from the date of the approval of these financial statements.

The financial statements have been prepared on the going concern basis as the directors are of the view, on the basis of the forecasts prepared and the support letter received, that there is a reasonable expectation that the Company has adequate resources to continue as an operational business for the foreseeable future.

Since the period under review, the rapid spreading of Covid-19 has become a significant emerging risk to the global economy. As a business that was considered "essential" in the fight against coronavirus, the Company continued to operate, albeit on a reduced level, and as such has been able to remain financially stable with the support of the government furlough scheme and other internal measures. New products onto the market and the increased demand for various air filtration products has meant that the outlook for the future is not adversely affected by the pandemic. The directors continue to monitor the impact of the virus on the business as more information about the epidemic emerges. At the time of signing the directors do not consider Covid-19 to impact the Company's ability to continue as a going concern and considers the Balance Sheet to be appropriately valued.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in the Profit and Loss Account in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences arising on gains or losses on non-monetary items which are recognised in the Statement of Comprehensive Income.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised upon dispatch of goods which is when significant risks and rewards are considered to have been transferred or upon provision of services to the extent that there is a right to consideration. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Employee benefits

For defined contribution schemes the amounts charged to the Profit and Loss Account in respect of pension costs and other post-retirement benefits are the contributions payable in the financial year. Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in the Statement of Comprehensive Income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the Company and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any allowance for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings 50 years
Plant and machinery 10-15 years

Freehold land is not depreciated.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Leases

The Company as lessee
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Balance Sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Profit and Loss Account as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced to below its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

If at the end of the reporting period, there is objective evidence of impairment (including observable data about loss events), the Company recognises an impairment loss in the Profit and Loss Account immediately. For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Direct labour and manufacturing overheads are absorbed in proportion to the total labour hours required to produce a product. Provision is made for obsolete and slow-moving items.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Profit and Loss Account, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:
(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Profit and Loss Account.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments
Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

The directors do not consider that any critical judgements have been made in the application of the Company's accounting policies and no key sources of estimation uncertainty have been identified that have a significant risk of causing a material misstatement to the carrying amount of assets and liabilities within the financial year.

3. Turnover

The turnover is attributable to the sole principal activity of the Company.

Breakdown geographical market:

An analysis of the Company's turnover by geographical market is set out below.

	2019	2018
	£'000	£'000
Europe	2,713	394
Rest of the World	220	142
United Kingdom	6,247	9,192
	9,180	**9,728**

4. Finance costs

	2019	2018
	£'000	£'000
Interest payable and similar expenses	(22)	(22)
	(22)	**(22)**

Interest payable and similar expenses

	2019	2018
	£'000	£'000
Loans from group undertakings	(22)	(20)
Other interest payable and similar expense	-	(2)
	(22)	**(22)**

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2019	2018
	£'000	£'000
Depreciation of tangible fixed assets (note 10)	249	211
Operating lease rentals	26	21
Foreign exchange (gain)/loss	(32)	55
Cost of stock recognised as an expense	6,425	6,826
Impairment of stock recognised as an expense	29	53

Included within administration expenses are the following costs; impairment provisions, depreciation charges on fixed assets and operating lease costs.

Foreign exchange gain in cost of sales is £21,000 (2018: loss of £60,000) and a gain of £11,000 (2018: £5,000) is shown in administrative expenses.

Impairment of stock arose following an assessment of obsolete and slow moving stock.

6. Auditor's remuneration

An analysis of the auditor's remuneration is as follows:

	2019	2018
	£'000	£'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	18	20
Total audit fees	**18**	**20**

Fees payable to Ernst & Young LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

7. Staff number and costs

	2019 Number	2018 Number
The average monthly number of employees (including directors) was:		
Production	59	72
Distribution	8	9
Sales	15	15
Administration	7	7
	89	103

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	2,332	2,749
Social security costs	207	193
Other retirement benefit costs	89	68
	2,628	3,010

8. Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	77	70
Company contributions to money purchase pension schemes	3	2
	80	72

	2019 Number	2018 Number
Are members of a money purchase pension scheme	1	1
	1	1

Two of the directors did not receive any emoluments in their capacity as directors of the Company. These individuals were remunerated by another company in the Group. These costs are not recharged as no practical allocation can be made.

9. Tax on profit

	2019	2018
	£'000	£'000
Current tax on profit		
UK corporation tax	-	-
Adjustments in respect of prior years		
UK corporation tax	1	-
Total current tax	**1**	**-**
Deferred tax		
Origination and reversal of timing differences	16	66
Total deferred tax	**16**	**66**
Total tax on profit	**17**	**66**

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. Although this was not substantively enacted by the Balance Sheet date, deferred tax balances as at 31 December 2019 were adjusted to be measured at 19%. The change of rate will affect the size of the Company's deferred tax assets and liabilities in the future.

Tax reconciliation

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£'000	£'000
Profit before tax	93	86
Tax on profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	18	16
Effects of:		
- Adjustments in respect of prior years	1	-
- Depreciation in excess of capital allowances	(2)	50
Total tax charge for year	**17**	**66**

10. Tangible assets

	Land and buildings	Plant and machinery	Payments on account and assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost/Valuation				
At 01 January 2019	1,818	3,637	265	5,720
Additions	153	55	-	208
Transfers	-	265	(265)	-
At 31 December 2019	**1,971**	**3,957**	**-**	**5,928**
Accumulated depreciation				
At 01 January 2019	953	2,707	-	3,660
Charge for the financial year	47	202	-	249
At 31 December 2019	**1,000**	**2,909**	**-**	**3,909**
Net book value				
At 31 December 2019	**971**	**1,048**	**-**	**2,019**
At 31 December 2018	865	930	265	2,060

11. Stocks

	2019	2018
	£'000	£'000
Raw materials	609	756
Work in progress	95	80
Finished goods	333	378
	1,037	**1,214**

12. Debtors

	2019	2018
	£'000	£'000
Trade debtors	1,280	1,275
Amounts owed by Group undertakings	235	217
Prepayments	11	13
Deferred tax asset	327	343
	1,853	**1,848**

The amounts owed by fellow Group companies are unsecured, interest free and repayable on demand.

13. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	937	1,281
Amounts owed to Group undertakings	1,144	1,138
Other taxation and social security	209	137
Accruals	228	236
	2,518	**2,792**

The amounts owed to fellow Group companies are unsecured, interest free and repayable on demand.

14. Deferred tax

	2019	2018
	£'000	£'000
At the beginning of financial year	343	409
Charged to the Profit and Loss Account	(16)	(66)
At the end of financial year	**327**	**343**

The deferred taxation balance is made up as follows:

	2019	2018
	£'000	£'000
Accelerated capital allowances	205	185
Tax losses carry forward	122	158
	327	343

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity the Company.

15. Called-up share capital and reserves

	2019	2018
	£	£
Allotted, called-up and fully-paid		
1,010,000 ordinary shares of £1.00 each	1,010,000	1,010,000
	1,010,000	**1,010,000**
Presented as follows:		
Called-up share capital presented as equity	1,010,000	1,010,000
	1,010,000	**1,010,000**

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Financial commitments

Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£'000	£'000
- within one year	10	18
- between one and five years	7	16
	17	**34**

17. Related party transactions

The Company has taken advantage of the exemption included in FRS 102 For wholly owned subsidiaries not to disclose transactions with entities that are part of the Group.

18. Events after the Balance Sheet date

In the first quarter of 2020 the Covid-19 pandemic reached the UK, resulting in national lockdown and extensive restrictions being enforced across the country. The Company has made full use of the government furlough scheme and also deferred VAT repayment in line with the guidance, the management and white collar staff also took a temporary 10% pay cut in order to maintain profitability. All non-essential expenditure was stopped and, by default, travel discontinued.

The directors consider the Covid-19 outbreak to be a non-adjusting post Balance Sheet event due to the worldwide spread of the virus, together with the corresponding economic impact and public health measures, occurring after the Balance Sheet date, rather than reflecting events or conditions in place as at 31 December 2019.

19. Controlling party

The Company's ultimate parent and controlling party is MANN + HUMMEL International GmbH &Co. KG, a Company incorporated in Germany. The immediate parent of Mann + Hummel Vokes-Air Limited is Vokes Air Treatment Holdings Limited.

The smallest and largest Group to which the results of the Company were consolidated was headed by MANN + HUMMEL International GmbH & Co. KG. Copies of the MANN + HUMMEL International GmbH & Co. KG financial statements can be obtained from the registered office address Hindenburgstrase 45, 71638 Ludwigsburg, Germany.