

Registered number: 00329377

FENNER GROUP HOLDINGS LIMITED

Annual report and audited financial statements

For the 12 month period ended 31 December 2019

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FENNER GROUP HOLDINGS LIMITED

Company Information

Directors
G J Alderman (resigned 31 July 2019)
S Artinian-Fredou
B Balmary
M Henry (resigned 31 July 2019)
S Lafon
K Rogerson (appointed 1 June 2019)
W J Pratt (resigned 1 June 2019)

Company secretary A M Caley

Registered number 00329377

Registered office
C/O Michelin Tyre Plc
Campbell Road
Stoke-on-Trent
ST4 4EY
United Kingdom

Independent auditor
Deloitte LLP
1 City Square
Leeds
LS1 2AL
United Kingdom

FENNER GROUP HOLDINGS LIMITED

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FENNER GROUP HOLDINGS LIMITED

Strategic report For the 12 month period ended 31 December 2019

Introduction

The directors present their Strategic report for the 12 month period ended 31 December 2019.

Business review and future developments.

The principal activity of the Company is that of an investment holding company.

The prior report and audited financial statements were for a 16 month period. This is due to the Company year end previously being 31 August. This was changed to 31 December to align with that of the Compagnie Generale des Etablissements Michelin SCA ("Michelin") Group of companies. Michelin acquired the entire share capital of Fenner Group Holdings Limited on 31 May 2018. The comparatives in the Income statement for 2018 are not therefore entirely comparable with 2019.

As an investment holding company, the Company's performance is principally related to the performance of its subsidiary undertakings through dividends received and interest income and any impairments to carrying values of investments in subsidiary undertakings. Overall the performance of the subsidiary undertakings during the period was considered to be satisfactory.

The result for the period included exceptional income of £524,000 which related to a release of an accrual previously provided for the acquisition of the Company by Michelin in the prior 16 month period. This is not expected to recur in 2020. There are no other significant future developments.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to the employee benefit scheme. Risks can arise from exposure to changes in legislation, interest rates, investment returns, dividends and life expectancy which can increase costs and can have a material impact on the balances reported on the balance sheet.

There are continuing risks and uncertainties over Brexit, however the Company does not deem these to be significant.

Financial key performance indicators

The key performance indicators that are measured by the Company are operating profit before exceptional items and net assets. Operating profit before exceptional items increased from £399,000 in the 16 month period to December 2018 to £2,181,000 in the 12 month period to 31 December 2019, principally due to reduced employment costs associated with Board changes following the acquisition by Michelin. The net assets of the Company increased from £194,602,000 at 31 December 2018 to £206,742,000 as at 31 December 2019, principally due to the remeasurements on defined benefit post retirement schemes and the profit for the 12 month period.

FENNER GROUP HOLDINGS LIMITED

Strategic report (continued)
For the 12 month period ended 31 December 2019

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company, under section 172.

The Directors always aim to act in the best interests of the Company, and to be fair and balanced in its approach. The needs of different stakeholders are always considered as well as the consequences of any decision in the long-term and the importance of our internally published high standards of business conduct. More specific information is given in sub-paragraphs (a) to (d), which correspond to the individual factors disclosed under Section 172(1).

a. Long-term decision making

The Directors delegate day-to-day management and decision making to its senior management team, but it maintains oversight of the Company's performance. In addition to this, any major decisions with long-term implications, including significant new business initiatives, would need approval of the Michelin Group, to ensure that the business decisions taken locally are in alignment with the long-term strategy of the Group. Any decisions approved either locally or by the Michelin Group, are then implemented, with subsequent oversight from the Directors to ensure management act in accordance with the agreed strategy. Processes are in place to ensure that the Directors receive all relevant information to enable it to make well-judged decisions in support of the Company's long-term success, including management KPI's, risk management policies and a robust suite of internal controls, all underpinned by internal audit.

b. Stakeholders

We aim to be fair and ethical in dealings with all our external stakeholders.

c. Reputation for high standards of business conduct

The Directors are responsible for developing the culture across the Company, which promotes integrity and transparency. The Company has established comprehensive systems of corporate governance, and approves policies and procedures which promote corporate responsibility and ethical behaviour, and these are implemented within the Company.

d. Acting fairly as between members of the Company

The Directors aim to understand the views of its sole shareholder and always to act in their best interests. In order to do this, the Directors work closely with the shareholder to ensure operations, strategy and performance are aligned with the long-term objectives of the shareholder, while complying with the Articles of Association of the Company, and in line with the highest standards of conduct as laid out in Group policies.

This report was approved by the board on 9 December 2020 and signed on its behalf.



K Rogerson
Director

FENNER GROUP HOLDINGS LIMITED

Directors' report For the 12 month period ended 31 December 2019

The directors present their Directors' report and the financial statements for the 12 month period ended 31 December 2019.

Results and dividends

The profit for the 12 month period, after taxation, amounted to £4,638,000 (2018 16 month period - loss £3,806,000).

An interim dividend for the period ended 31 December 2019 of £NIL (2018 16 month period - 2.1p) per share was paid during the period. The directors do not propose a final dividend (2018 - £NIL).

Directors

The directors who served during the 12 month period and subsequently were:

G J Alderman (resigned 31 July 2019)
S Artinian-Fredou
B Balmay
M Henry (resigned 31 July 2019)
S Lafon
K Rogerson (appointed 1 June 2019)
W J Pratt (resigned 1 June 2019)

Going concern

The Company generated profit of £4,638,000 in the 12 month period to 31 December 2019 and has net assets of £206,742,000. The Company is a holding company reliant on the performance of its subsidiary undertakings for long term value creation. Since late March 2020, the trading of the Company's subsidiaries has been negatively impacted by the outbreak of the COVID-19 pandemic.

In coming to a conclusion in their review that the Company remains a going concern, the directors have reviewed financial cash forecasts for the Company to 31 December 2021 to understand the cash requirements of the Company to fund its subsidiary undertakings. The key assumption underlying the forecast is the speed and timing of the economic recovery of the global economy from the COVID-19 pandemic. Further, as the Company is owned by the Michelin Group headed up by Compagnie Generale des Etablissements Michelin ("Michelin Group"), the directors have been informed of the Michelin Group's intention to support the Company for at least 12 months after the date of the financial statements, and have obtained a support letter for the Company to this effect. The letter confirms that the Michelin Group will provide, where needed, the necessary cash so that the Company can meet its commitments and continue its business under normal conditions and to fund, if necessary, any restructuring plans that the Company could not finance itself at least for the next 12 months. The Directors have reviewed the financial performance of the Michelin Group and have concluded that the Michelin Group is able to support the Company if required for at least 12 months after the date of the financial statements. Accordingly, the directors believe that adopting the going concern basis in preparing the financial statements is appropriate.

Future developments

The principal activity and future developments are set out in the Strategic report on page 1.

Financial risk management

In the normal course of business, the Company is exposed to certain financial risks. These risks are managed in accordance with risk management policies that are designed to minimise the potential adverse effects of these risks on financial performance. The policies are reviewed and approved by the Board of Fenner Group Holdings Limited. None of these risks are considered to be significant due to the nature of the Company as an investment holding company.

FENNER GROUP HOLDINGS LIMITED

Directors' report (continued)
For the 12 month period ended 31 December 2019

Business relationships

Details regarding engagement with stakeholders can be found in the Section 172(1) Statement within the Strategic report.

Disabled employees

The Company's employment policies and practices are designed to meet local conditions and regulations and support the principles of the Universal Declaration of Human Rights. It ensures it recruits and retains a competent and diverse workforce. Equal opportunities means employing the best people for the business from the widest pool of candidates regardless of gender, race, age, caste, origin, religion, disability, sexual orientation or any other status protected by law. These principles and practices are also applied when undertaking rationalisations and reorganisations.

The Company strives to provide an inclusive and diverse workplace environment in which all employees are treated with dignity and respect at all times. The Company does not discriminate on the grounds of disability and continues to recognise its social and statutory duties to disabled persons and does all that is practicable to meet this responsibility. Full and fair consideration is given to the recruitment, training, career development and promotion of disabled persons. If an employee becomes disabled whilst employed by the Company, wherever possible, he or she will continue to be employed in the same job. If this action is not practicable or possible then every effort will be made to find suitable alternative employment. In these circumstances, retraining would be made available using Company resources as well as by contact with local disabilities employment advisors.

Disclosure of information to auditor

For each of the persons who are directors at the time when this Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

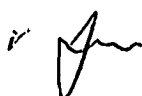
Post balance sheet events

Subsequent to the year end, the COVID-19 virus has resulted in a global pandemic affecting the global economy. The main impact on the wider Group is through the customer and supplier chain which is being monitored closely. Management have performed reforecasting exercises and monitored performance in the going concern assessment. Post year end, the developments and circumstances around COVID-19 have been identified as a non-adjusting post balance sheet event.

Auditor

Deloitte LLP were previously appointed as independent auditor to the Company. In the absence of any notice proposing to terminate their appointment, Deloitte LLP will be deemed to be reappointed for the next financial year. Deloitte LLP have indicated their willingness to continue in office.

This report was approved by the board on 9 December 2020 and signed on its behalf.



K Rogerson
Director

FENNER GROUP HOLDINGS LIMITED

Directors' responsibilities statement For the 12 month period 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 period. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 judgments 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FENNER GROUP HOLDINGS LIMITED

Independent auditor's report to the members of Fenner Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fenner Group Holdings Limited (the 'Company'):

- 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 period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

FENNER GROUP HOLDINGS LIMITED

Independent auditor's report to the members of Fenner Group Holdings Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period 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.

FENNER GROUP HOLDINGS LIMITED

Independent auditor's report to the members of Fenner Group Holdings Limited

Matters on which we are required to report by exception

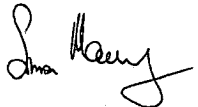
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Manning FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds
United Kingdom
9 December 2020

FENNER GROUP HOLDINGS LIMITED

Income statement

For the 12 month period ended 31 December 2019

		12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
	Note		
Administrative income		2,181	399
Exceptional administrative income/(expenses)	12	524	(14,335)
Operating profit/(loss)	3	2,705	(13,936)
Income from other fixed asset investments		-	5,844
Interest receivable and similar income	8	2,710	3,773
Interest payable and similar expenses	9	(431)	(539)
Profit/(loss) before tax		4,984	(4,858)
Tax (charge)/credit	10	(346)	1,052
Profit/(loss) for the financial period		4,638	(3,806)

The notes on pages 14 to 47 form part of these financial statements.

FENNER GROUP HOLDINGS LIMITED

Statement of comprehensive income For the 12 month period ended 31 December 2019

		12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Profit/(loss) for the financial period		4,638	(3,806)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit post-retirement schemes gain/(loss)	24	9,578	(3,230)
Tax (expense)/credit on equity		(2,076)	959
		7,502	(2,271)
Total comprehensive income/(expense) for the period		12,140	(6,077)

The notes on pages 14 to 47 form part of these financial statements.

FENNER GROUP HOLDINGS LIMITED
Registered number: 00329377

Balance sheet
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Fixed assets			
Tangible assets	13	2,743	2,371
Investments	14	69,445	69,445
		<u>72,188</u>	<u>71,816</u>
Current assets			
Debtors: amounts falling due after more than one year	15	976	3,225
Debtors: amounts falling due within one year	15	136,772	137,358
Cash at bank and in hand	16	3,414	1,210
		<u>141,162</u>	<u>141,793</u>
Creditors: amounts falling due within one year	17	(427)	(645)
Net current assets		<u>140,735</u>	<u>141,148</u>
Total assets less current liabilities		<u>212,923</u>	<u>212,964</u>
Creditors: amounts falling due after more than one year	18	(437)	-
		<u>212,486</u>	<u>212,964</u>
Provisions for liabilities			
Deferred taxation	21	-	(407)
		<u>-</u>	<u>(407)</u>
Net assets excluding pension liability		<u>212,486</u>	<u>212,557</u>
Pension liability		(5,744)	(17,955)
Net assets		<u>206,742</u>	<u>194,602</u>
Capital and reserves			
Called up share capital	22	48,751	48,751
Revaluation reserve		858	858
Profit and loss account		157,133	144,993
Shareholder's funds		<u>206,742</u>	<u>194,602</u>

FENNER GROUP HOLDINGS LIMITED
Registered number: 00329377

Balance sheet (continued)
As at 31 December 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 December 2020.



K Rogerson
Director

The notes on pages 14 to 47 form part of these financial statements.

FENNER GROUP HOLDINGS LIMITED

**Statement of changes in equity
For the 12 month period ended 31 December 2019**

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total shareholder's funds £000
At 1 September 2017	48,500	858	159,464	208,822
Comprehensive income/(expense) for the 16 month period				
Loss for the 16 month period	-	-	(3,806)	(3,806)
Remeasurements on defined benefit post-retirement schemes	-	-	(3,230)	(3,230)
Tax on other comprehensive expense	-	-	959	959
Other comprehensive income/(expense) for the 16 month period	-	-	(2,271)	(2,271)
Total comprehensive income/(expense) for the 16 month period	-	-	(6,077)	(6,077)
Dividends: Equity capital	-	-	(12,222)	(12,222)
Bonus issue	-	-	(251)	(251)
Shares issued during the period	251	-	-	251
Share-based payments	-	-	4,079	4,079
Total transactions with owners	251	-	(8,394)	(8,143)
At 1 January 2019	48,751	858	144,993	194,602
Comprehensive income/(expense) for the 12 month period				
Profit for the 12 month period	-	-	4,638	4,638
Remeasurements on defined benefit post retirement schemes	-	-	9,578	9,578
Tax on other comprehensive expense	-	-	(2,076)	(2,076)
Other comprehensive income/(expense) for the 12 month period	-	-	7,502	7,502
Total comprehensive income/(expense) for the 12 month period	-	-	12,140	12,140
Share-based payments	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2019	48,751	858	157,133	206,742

The notes on pages 14 to 47 form part of these financial statements.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

1. General information

Fenner Group Holdings Limited is a private company limited by shares, incorporated and registered in England with the registered number 00329377. The address of the registered office is given on the Company Information page. The nature of the Company's operations and its principle activities are set out in the Strategic report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Critical accounting estimates and judgements

The application of the Company's accounting policies requires management to make certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate and these are continually reviewed. Subsequent actual results may however differ from these estimates and judgements.

- Key sources of estimation uncertainty

Key assumptions concerning the future or other sources of estimation uncertainty at the balance sheet date that may give rise to risk of material adjustments to the carrying values of assets and liabilities or reported results in the next financial year are as follows:

- Impairment testing for the carrying amount of investments is based on estimated recoverable amounts of subsidiary undertakings, based on value in use calculations. This is calculated using cash flow projections based on financial forecasts for a period of three years and, thereafter, extrapolated using estimated growth rates in the respective territories. Cash flows are discounted using an appropriate pre-tax cost of capital for each respective territory. See note 14.
- Retirement benefit obligations are based on actuarial valuations that use a number of assumptions. These include the discount rate, which is based on the interest rate of high quality corporate bonds denominated in the currency of the benefits and that have terms to maturity approximating to the terms of the related obligation, inflation rates, expected salary increases and mortality. See note 24.
- Deferred taxation is recognised based on the estimated likelihood that future taxable profits will be available against which temporary differences can be utilised. See note 21.

- Critical judgements in applying the Company's accounting policies

Critical judgments made in the process of applying the Company's accounting policies which have the most significant effect on amounts recognised in the financial statements are as follows:

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

- Exceptional items

Certain items of income and expenses are classified as exceptional items due to their nature and size. These are presented separately on the face of the income statement in order to provide a better understanding of the Company's financial performance. Such exceptional items may include impairments of investments, business restructuring costs or profits or losses arising from the disposal of a business.

Accounting developments

There were a number of new standards adopted by the Company and effective for the first time for the 12 month period ended 31 December 2019. These include: IFRS 9 "Financial Instruments"; IFRS 15 "Revenue from Contracts with Customers"; and IFRS 16 "Leases". None of these have had a material impact on the results or net assets of the Company.

A number of standards, amendments or interpretations have been published but are not mandatory for the 12 month period ended 31 December 2019 and consequently have not yet been applied in preparing the financial statements. None of these are expected to have a material impact on the results or net assets of the Company.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Going concern

Details regarding the going concern basis can be found within the Directors' report on page 3.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2019.

IFRS 15

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 January 2019.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

IFRS 16

IFRS 16 'Leases', published in January 2016, endorsed by the European Union in November 2017, has been applied by the company as from 1 January 2019. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS17 'Leases' and its associated interpretative guidance. The accounting policies applied to account for leases are set out in note 2.7.

Significant changes to the lessee's accounting model are introduced as the current distinction between operating and financial leases is removed. The lessee must recognise an asset, corresponding to the right of use, and a liability corresponding to the lease commitments.

The company has implemented the standard from its mandatory adoption date of 1 January 2019 without restatement of the 2018 comparatives, as permitted by the simplified retrospective method. In addition, the company has applied the practical simplifications provided for short-term leases, including contracts with less than twelve months after the application date and those relating to low value assets, in the order of magnitude of €5,000 or less.

2.5 Impact of new international reporting standards, amendments and interpretations (continued)

The reconciliation between operating lease commitments disclosed at 31 December 2018 and the lease liability recognised at 1 January 2019 are shown below:

	£000
Operating lease commitments disclosed at 31 December 2018	601
Discounting adjustment	(57)
Lease liability at 1 January 2019	544
Of which:	
Short term lease liabilities	56
Long term lease liabilities	488

The adjustments booked for each line in the income statement and the balance sheet on the adoption of IFRS 16 are shown below. The lines that have not been impacted by the adoption of the standard are not shown.

Impact on the income statement for the 12 month period to 31 December 2019

	£000
Increase in depreciation of right-of-use assets	52
Increase in finance costs	12
Decrease in other operating expenses	(60)
(Increase)/decrease in profit for the period	4

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

Impact on balance sheet as at 1 January 2019

	31 December 2018 £000	Adoption of IFRS 16 £000	1 January 2019 restated £000
Tangible fixed assets	2,371	544	2,915
Creditors: amounts falling due within one year	645	56	701
Creditors: amounts falling due after more than one year	-	488	488

The adoption of IFRS 16 had no impact on the opening reserves earnings as at 1 January 2019.

Company as a lessee:

The application of IFRS 16 to leases previously classified as operating leases under IAS17 resulted in the recognition of right-of-use-assets of £544,000 and lease liabilities of £544,000. It also resulted in a decrease in other operating expenses of £60,000 and an increase in depreciation of £52,000 and interest expense of £12,000.

2.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.7 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.7 Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate used is the rate applicable to the residual term of the lease, taking into account the Company's credit risk, the currency of the contract and the weighted average maturity of the reimbursement of the lease liability.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.7 Leases (continued)

underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.13.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

There have been no extension options considered whilst calculating the right-of-use assets or lease liabilities for any of the Company's leases. This is predominantly due to there being no such options in the any of the contracts.

There have been no termination options considered whilst calculating the right-of-use assets or lease liabilities. This is predominantly due to the Company applying the judgement that each lease will be valid for the duration or the contract and no early terminations are expected.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that 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.

2.10 Post retirement benefits

The Fenner Group of companies operates a defined benefit pension scheme for certain current and former employees in the UK. The Company is the Principal Employer of the scheme.

The scheme liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The defined benefit obligation is calculated annually by an independent qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Current service costs, past service costs and administration expenses are recognised within operating costs in the income statement. Net interest costs, which are calculated by applying the discount rate to the net pension liability, are recognised as notional interest within finance costs in the income statement. Remeasurements, which represent the difference between the actual return on assets and the amount implied by the net interest cost, together with experience adjustments and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.11 Current and deferred taxation

Current tax is the tax expected to be payable on taxable profit for the period using tax rates that have been enacted or substantively enacted by the balance sheet date, together with any adjustments in respect of previous years. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are not taxable or deductible or are taxable or deductible in other years.

Deferred tax is recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, unless specifically exempt. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised. The resulting charge or credit is recognised in the income statement except when it relates to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

2.12 Exceptional items

Exceptional items are presented separately due to their size or incidence.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land and buildings	- 40 years
L/Term Leasehold Property	- 15 years
Leasehold land and building improvements	- 15 years
Plant, machinery and equipment	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.14 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

The carrying amount investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset. Any reversal of an impairment loss is recognised in the income statement.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.16 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

2. Accounting policies (continued)

2.16 Financial instruments (continued)

receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividend income is recognised when received.

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Operating lease rentals	-	79
Depreciation of tangible fixed assets (note 13)	172	172

4. Auditor's remuneration

There was no auditor's remuneration charged in the period (2018 16 month period - £NIL). Amounts borne by other Group companies on behalf of the Company are £10,000 (2018 16 month period - £10,000).

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

5. Staff costs

Staff costs were as follows:

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Wages and salaries	-	218
Social security costs	-	23
Share-based payments	-	1,267
	<u>-</u>	<u>1,508</u>

Certain employees, including 1 director (2018 - 2) included within the Directors' remuneration disclosure in note 6, were remunerated by subsidiary undertaking J.H. Fenner & Co. Limited and therefore their costs are not included within the wages and salaries total above. It is not practicable to allocate their services on behalf of the Company and of other Group companies.

The average monthly number of employees, including the directors, during the 12 month period was as follows:

	12 month period ended 31 December 2019 No.	16 month period ended 31 December 2018 No.
Administration	<u>1</u>	<u>4</u>

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

6. Directors' remuneration

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Directors' emoluments	1,290	2,435
	1,290	2,435

During the year the retirement benefits were accruing to 1 directors (2018 16 month period - 1) in respect of defined benefit pension schemes. This director resigned in the year.

The highest paid director received emoluments of £1,290,000 (2018 16 month period - £1,058,000) and benefits obtained from long term incentive schemes of £NIL (2018 16 month period - £2,551,000).

The total accrued pension provision of the highest paid director at 1 June 2019 (the date at which the director left the Company and so ceased to accrue further pension benefits) amounted to £87,000 (31 December 2018 - £85,000).

6 (2018 16 month period - 5) directors did not receive emoluments from the Company since they are employees of, and received remuneration from other group companies. It is not practicable to allocate their remuneration between their services on behalf of the Company and of the other group companies.

7. Income from investments

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Dividends received from subsidiary undertakings	-	5,844

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

8. Interest receivable

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Interest receivable from group companies	2,700	3,773
Other interest receivable	10	-
	<u>2,710</u>	<u>3,773</u>

9. Interest payable and similar expenses

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Bank interest payable	-	10
Finance leases	12	-
Other interest payable	419	529
	<u>431</u>	<u>539</u>

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements
For the 12 month period ended 31 December 2019

10. Taxation

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Corporation tax		
Current tax on profits for the period	480	(718)
Prior year adjustment	100	(213)
	<u>580</u>	<u>(931)</u>
Total current tax	<u>580</u>	<u>(931)</u>
Deferred tax		
Origination and reversal of timing differences	-	(97)
Adjustment in respect of prior periods	(234)	(24)
	<u>(234)</u>	<u>(121)</u>
Taxation on profit	<u>346</u>	<u>(1,052)</u>

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2018 - lower than) the average standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Profit/(loss) before tax	<u>4,984</u>	<u>(4,858)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	947	(923)
Effects of:		
Expenses not deductible	4	1,841
Adjustments in respect of prior periods	100	(237)
Income not taxable	-	(1,374)
Tax relief on share based payment	-	(370)
Timing differences arising not recognised in deferred tax	(471)	-
Write off of opening deferred tax	(234)	-
Difference between corporate and deferred tax rates	-	11
Total tax charge/(credit) for the period	<u>346</u>	<u>(1,052)</u>

Factors that may affect future tax charges

Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget, it was announced that the cut in the rate to 17% will now not occur on 1 April 2020 and the Corporation Tax Rate will be held at 19%. The amended tax rate would cause an increase in the deferred tax asset recognised of £115,000.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

11. Dividends

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Interim dividend for the 16 month period ended 31 December 2018 of £NIL (for the year ended 31 August 2017 - 1.4p) per share	-	2,716
Final dividend for the 16 month period ended 31 December 2018 of £NIL (for the year ended 31 August 2017 - 2.8p) per share	-	5,432
Interim dividend for the 12 month period ended 31 December 2019 of £NIL (for the 16 month period ended 31 December 2018 - 2.1p) per share	-	4,074
	<u>-</u>	<u>12,222</u>

12. Exceptional items

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
(Income)/costs associated with the acquisition of the company by Michelin	(524)	12,122
Pension costs	-	3,600
Impairment of investments in subsidiary undertakings	-	10,563
Write off of amount owed to group undertakings	-	(11,950)
	<u>(524)</u>	<u>14,335</u>

The exceptional income of £524,000 has been categorised within costs associated with the acquisition of the Company by Michelin as this is a release of a prior accrual that was no longer required.

In the prior period costs associated with the acquisition of the Company by Michelin comprise £10,613,000 in respect of transaction costs and £1,509,000 in respect of accelerated share-based incentives. Following a change in UK legislation, an estimated charge of £3,600,000 was made in respect of the guaranteed minimum pension equalisation for the Fenner UK pension scheme. Ahead of the liquidation of certain subsidiary undertakings, the Company wrote off amounts due to Fenner Advanced Sealing Technologies Limited, J.H. Fenner & Co (Special Belting) Limited and Hallite Limited, resulting in a total gain of £11,950,000 and impaired the carrying values of the investments in these undertakings, resulting in a charge of £10,563,000.

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

13. Tangible fixed assets

	Freehold land and buildings £000	L/Term Leasehold Property £000	Leasehold land and building improvements £000	Plant, machinery and equipment £000	Total £000
Cost					
At 1 January 2019	3,899	-	216	153	4,268
Impact of change in accounting policy	-	544	-	-	544
At 1 January 2019 (adjusted balance)	3,899	544	216	153	4,812
At 31 December 2019	3,899	544	216	153	4,812
Depreciation					
At 1 January 2019	1,702	-	61	134	1,897
Charge for the 12 month period on owned assets	84	-	17	19	120
Charge for the 12 month period on right-of-use assets	-	52	-	-	52
At 31 December 2019	1,786	52	78	153	2,069
Net book value					
At 31 December 2019	2,113	492	138	-	2,743
At 31 December 2018	2,197	-	155	19	2,371

Freehold land and buildings includes land at a cost of £661,000 (2018 - £661,000) which is not subject to depreciation.

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance sheet is as follows:

	31 December 2019 £000
Tangible fixed assets owned	2,251
Right-of-use tangible fixed assets	492
	<u>2,743</u>

The original lease term of the L/Term Leasehold property is 15 years. Upon inception of IFRS 16, the asset is calculated based upon the remainder of the lease term. As at 1 January 2019 this was 10.1 years.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

13. Tangible fixed assets (continued)

Information about right-of-use assets is summarised below:

Net book value

	31 December 2019 £000
L/Term Leasehold Property	492
	492

Depreciation charge for the 12 month period ended

	31 December 2019 £000
L/Term Leasehold Property	52
	52

The L/Term Leasehold Property right-of-use asset consists of one lease for the office premises. The opening right-of-use asset was calculated by using the incremental borrowing rate of 2.28% as determined at the date of transition. The incremental borrowing rate used is the rate applicable to the residual term of the lease, taking into account the Company's credit risk, the currency of the contract and the weighted average maturity of the reimbursement of the lease liability. The lease term from commencement was 15 years and is due to expire in 2029.

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

14. Investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2019	<u>170,408</u>
At 31 December 2019	<u>170,408</u>
Impairment	
At 1 January 2019	<u>100,963</u>
At 31 December 2019	<u>100,963</u>
Net book value	
At 31 December 2019	<u><u>69,445</u></u>
At 31 December 2018	<u><u>69,445</u></u>

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

14. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
Fenner Pension Scheme Trustee Limited*	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Pension Scheme Trustee	100%
J.H.Fenner & Co Limited*	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Manufacturing, Distribution & Servicing	100%
Fenner Dynamics Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
CDI Energy Products UK Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
BTL Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
J.H.Fenner & Co (Fenaplast) Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Turner Belting Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Fenner Dunlop Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Vulcanisers International Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
James Dawson & Son Limited*	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Manufacturing, Distribution & Servicing	100%
Fenner Drives Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Indico (Europe) Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Hallite Seals International Limited*	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Manufacturing, Distribution & Servicing	100%

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

14. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
J.H.Fenner & Co (Special Belting) Limited* **	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Fenner Advanced Sealing Technologies Limited* **	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Hallite Limited* **	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Hallite Polytek Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Fenner International Limited*	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
Dunlop Conveyor Belting Investments Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
Fenner Advanced Sealing Investments Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Fenner International Australia Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
Hall & Hall Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
Hallite (France) Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
J.H. Fenner & Co (Advanced Engineered Products) Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
J.H. Fenner & Co (India) Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
James Dawson (China) Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%
Norwegian Seals UK Limited**	C/O Kingsbridge Corporate Solutions 1st Floor, Lowgate House, Lowgate, Hull, HU1 1EL, UK	Non-trading	100%
Fenner N.A. Limited	C/O Michelin Tyre Plc, Campbell Road, Stoke-On-Trent, ST4 4EY, UK	Investment	100%

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

14. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Australian Conveyor Engineering Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	Manufacturing, Distribution & Servicing	100%
Belle Banne Conveyor Services Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	Manufacturing, Distribution & Servicing	100%
Fenner (Pacific) Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	Investment	100%
Fenner Australia Financing (Pty) Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	Investment	100%
Fenner Dunlop Australia Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop Conveyor Services Pty Limited	268 Geelong Road, West Footscray, VIC 3012, Australia	Investment	100%
Fenner Investments Australia Limited Partnership	268 Geelong Road, West Footscray, VIC 3012, Australia	Investment	100%
Hallite Seals Australia Pty Limited	Unit 1, 9 Bushells place, Wetherill Park, NSW 2164, Australia	Manufacturing, Distribution & Servicing	100%
Transeals Pty Limited	1 Atlas Court, Welshpool, WA 6106, Australia	Non-trading	100%
Fenner Dunlop (Bracebridge), Inc	700 Ecclestone Drive, Bracebridge, ON P1L 1W1, Canada	Manufacturing, Distribution & Servicing	100%
Hallite Seals (Canada) Limited	5630 Kennedy Road, Mississauga, ON L4Z 2A9, Canada	Manufacturing, Distribution & Servicing	100%
Conveyor Services, SA	Nestor del Fierro 440, Sector Industrial La Negra, Antofagasta, Chile	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop Chile SpA	Isidora Goyenechea 3120, Piso 13, Las Condes, Santiago, Chile	Non-trading	100%
Fenner International Chile Limitada	Isidora Goyenechea 3120, Piso 13, Las Condes, Santiago, Chile	Investment	100%
Dawson Polymer Products (Shanghai) Company Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	Manufacturing, Distribution & Servicing	100%
Dunlop Conveyor Belting (Shanghai) Co. Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	Manufacturing, Distribution & Servicing	100%
Fenner Management (Shanghai) Company Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	Non-trading	100%
Hallite Shanghai Company Limited	785 Xing Rong Road, Jiading, Shanghai 201807, China	Manufacturing, Distribution & Servicing	100%
Shanghai Fenner Conveyor Belting Co Limited	445 Waiqian Gong Road, Jiading, Shanghai 201823, China	Manufacturing, Distribution & Servicing	85%
Fenner Dunlop SARL	Saint Pierre, Elancourt, 78990, France	Manufacturing, Distribution & Servicing	100%
Dichtelemente Hallite GmbH	Billwerder Ring 17, 21035 Hamburg, Germany	Manufacturing, Distribution & Servicing	100%

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

14. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Dunlop Conveyor Belting Ghana Limited	17 Alema Avenue, Airport Residential Area, Accra, Ghana	Manufacturing, Distribution & Servicing	100%
Fenner Conveyor Belting Private Limited	Madurai-Dindigul Road, Nagari, Madurai, 625017, India	Manufacturing, Distribution & Servicing	100%
Hallite Sealing Solutions India Private Limited	Special Plot No.10, 3rd Main, 1st Stage, Peenya Industrial Estate, Bangalore, 560058, India	Manufacturing, Distribution & Servicing	100%
Hallite Italia S.r.l.	Via Francia 21, Collesalveti, Livorno, 57017, Italy	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop Italia S.r.l.	Via Agnello 8, Milano (Mi), 20121, Italy	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop Maroc SARL	6 sis Park Tawfic, Route Secondaire 111, Zenata-Ain Sebaa-Casablanca, Morocco	Manufacturing, Distribution & Servicing	100%
De Bruin & Berends B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	Investment	100%
Dunlop Assets B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	Investment	100%
Dunlop Conveyor Belting International B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	Non-trading	100%
Dunlop Enerka Netherlands B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	Investment	100%
Dunlop Enerka Netherlands Holding B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	Investment	100%
Dunlop Manufacturing Holdings B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	Investment	100%
Dunlop Sales & Marketing B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	Non-trading	100%
Dunlop Service B.V.	Heemst 2, Klazienaveen, 7892 AL, Netherlands	Manufacturing, Distribution & Servicing	100%
Dunlop Service International B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	Investment	100%
Fenner Dunlop B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop Steelcord B.V.	Oliemolenstraat 2, Drachten, 9203 ZN, Netherlands	Non-trading	100%
Fenner Mandals AS	Nordre Banegate 26, 4515 Mandal, Norway	Manufacturing, Distribution & Servicing	100%
Dunlop Conveyor Belting Polska sp.oz.o	Ul. Zwirki I Wigury 54, 43-190 Mikolow, Poland	Manufacturing, Distribution & Servicing	100%
CDI Energy Products Pte Limited	10 Tuas South St 5, 637792, Singapore	Manufacturing, Distribution & Servicing	100%
Fenner Singapore Pte. Limited	16 Collyer Quay, 17 – 00, Hitachi Tower, 049318, Singapore	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop SL	1 Tres Rieres Poligon Industrial Magarola, 08292 Esparreguera, Spain	Manufacturing, Distribution & Servicing	100%
Fenner Conveyor Belting (South Africa) (Pty) Limited	21 Diesel Road, Isando 1600, South Africa	Manufacturing, Distribution & Servicing	71%

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

14. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Fenner (South Africa) (Pty) Limited	21 Diesel Road, Isando 1600, South Africa	Investment	100%
Dunlop Service Middle East LLC	Showroom No. 9 PLOT 598-6, Al Mardas Building, Dubai Investment Park 1, Dubai, UAE	Manufacturing, Distribution & Servicing	100%
American Industrial Plastics, LLC	C T Corporation System, 1200 South Pine Island Road, Plantation, FL 33324, USA	Manufacturing, Distribution & Servicing	100%
CDI Energy Products, LLC	C T Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX 75201-3136, USA	Manufacturing, Distribution & Servicing	100%
Charter Medical, Limited	C T Corporation System, 160 Mine Lake Court, Suite 200, Raleigh, NC 27615-6417, USA	Manufacturing, Distribution & Servicing	100%
Fenner Advanced Sealing Technologies, LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA	Investment	100%
Fenner, Inc.	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	Manufacturing, Distribution & Servicing	100%
Fenner America, Inc	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, USA	Investment	100%
Fenner Dunlop Americas, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop Conveyor Systems and Services, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop (Port Clinton), LLC	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA	Manufacturing, Distribution & Servicing	100%
Fenner Dunlop (Toledo), LLC	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA	Manufacturing, Distribution & Servicing	100%
Fenner U.S., Inc.	Delaware Trust Company, 103 Foulk Road, Suite 200, Wilmington, DE 19803, USA	Investment	100%
Hallite Seals Americas, LLC	The Corporation Company, 40600 Ann Arbor Road East, Suite 201, Plymouth, MI 48170-4675, USA	Manufacturing, Distribution & Servicing	100%
SanaVita Medical, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	Manufacturing, Distribution & Servicing	100%

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

14. Investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
The Secant Group, LLC	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	Manufacturing, Distribution & Servicing	100%
Solexis Medical Technologies, Inc.	C T Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, PA 17101-1071, USA	Investment	100%

*Held directly by Fenner Group Holdings Limited.

**Companies in liquidation as at 31 December 2019. Their registered address is that of the liquidators.

Hallite (France) Limited was dissolved on 16 April 2020.

Fenner Dynamics Limited, BTL Limited, J H Fenner & Co (Fenaplast) Limited and CDI Energy Products UK Limited were all dissolved on 17 April 2020.

CDI Multiseals Pte Ltd legally changed its entity name to CDI Energy Products Pte Ltd. on 15 March 2020.

All investments are in ordinary shares.

In the directors' opinion the value of the Company's investments in subsidiary undertakings is not less than the amounts at which they are included in the balance sheet.

All companies are incorporated in the country of the registered address. For the companies that have a registered address in the UK, these are all incorporated in England.

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

15. Debtors

	31 December 2019 £000	31 December 2018 £000
Due after more than one year		
Deferred tax asset	976	3,225
	<u>976</u>	<u>3,225</u>
Due within one year		
Amounts owed by group undertakings	136,488	137,297
Other debtors	284	61
	<u>136,772</u>	<u>137,358</u>

Amounts owed by group undertakings principally relate to various unsecured interest bearing loans. They are either at fixed rates and repayable within periods of up to 10 years or at floating rates based on a margin over LIBOR and repayable on demand.

16. Cash and cash equivalents

	31 December 2019 £000	31 December 2018 £000
Cash at bank and in hand	3,414	1,210
	<u>3,414</u>	<u>1,210</u>

17. Creditors: Amounts falling due within one year

	31 December 2019 £000	31 December 2018 £000
Lease liabilities	59	-
Accruals and deferred income	368	645
	<u>427</u>	<u>645</u>

Further information on lease liabilities can be found in note 19.

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

18. Creditors: Amounts falling due after more than one year

	31 December 2019 £000	31 December 2018 £000
Lease liabilities	437	-
	437	-

Further information on lease liabilities can be found in note 19.

19. Leases

Company as a lessee

The Company leases one property.

Lease liabilities are due as follows:

	31 December 2019 £000
< 1 year	59
1-5 years	275
>5 years	162
	496

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by the Directors of the Company.

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	12 month period ended 31 December 2019 £000
Finance lease charges payable	12
Depreciation expense on right-of-use assets	52

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

20. Financial instruments

	31 December 2019 £000	31 December 2018 £000
Financial assets		
Cash at bank and in hand	3,414	1,210
Financial assets measured at amortised cost	136,488	137,358
	<u>139,902</u>	<u>138,568</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(864)</u>	<u>(645)</u>

21. Deferred taxation

	12 month period ended 31 December 2019 £000
At 1 January 2019	2,818
Credited to profit or loss	234
Charged to other comprehensive income	(2,076)
At 31 December 2019	<u><u>976</u></u>

The net amount credited to profit or loss relates to the release of the opening deferred tax liability and assets of the Company due to the significant losses in the wider UK group.

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

21. Deferred taxation (continued)

The deferred tax asset/(liability) is made up as follows:

	31 December 2019 £000	31 December 2018 £000
Accelerated tax depreciation	-	(120)
Revaluation of tangible fixed assets	-	(198)
Retirement benefit obligations	976	3,051
Other short-term timing differences	-	(89)
Losses	-	174
	<u>976</u>	<u>2,818</u>
Comprising:		
Asset - due after one year	976	3,225
Liability	-	(407)
	<u>976</u>	<u>2,818</u>

There is an unrecognised deferred tax liability of £142,000 (2018 - £NIL).

22. Share capital

	31 December 2019 £000	31 December 2018 £000
Allotted, called up and fully paid		
195,007,399 (2018 - 195,007,399) ordinary shares of £0.25 each	48,751	48,751

During the period NIL (2018 - 1,004,658) ordinary shares of £0.25 were issued under the Fenner Group's Performance Share Plan, amounting to £NIL (2018 - £251,165).

The Company has one class of ordinary shares of £0.25 which carry no right to fixed income.

23. Contingent liabilities

The Company has guaranteed the borrowings of certain subsidiary undertakings. At 31 December 2019, these borrowings amounted to £133,854,000 (2018 - £138,075,000).

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

24. Retirement benefit obligations

The Company operates a Defined benefit pension scheme.

The Fenner Pension Scheme is a UK funded defined benefit scheme which was closed to new entrants in 1997. Scheme members accrue an annual pension, being a proportion of final salary for each year of pensionable service, increasing in line with inflation whilst in payment, subject to certain caps and floors. Active members of the scheme have paid contributions at the rate of 10% of salary and the Company pays the balance of the cost as determined by regular actuarial valuations. The Company offers a salary sacrifice arrangement.

The scheme is administered within a trust which is legally separate from the Company. The Trustee is appointed by both the Company and the scheme's membership and acts in the interest of all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the scheme's assets.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. A triennial valuation was performed at 31 March 2017. The results of the valuation were rolled forward to 31 December 2019 by an independent qualified actuary.

The regulatory framework in the UK requires the Trustee and the Company to agree upon the assumptions underlying the funding target, which must be prudent, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. In accordance with this, the Company and Trustee agree a Recovery Plan using the triennial valuations and assumptions agreed between Company and Trustee. The Recovery Plan sets the deficit contribution rates over a defined period of time with a view to eliminating the pension scheme deficit. The Company is exposed to the risk that the cost of funding its obligations is higher than anticipated. This could arise due to a number of reasons, including:

- the level of investment returns being lower than anticipated, especially if such reductions in asset values are not matched by falls in liabilities;
- increases in the anticipated life expectancy of members, for example, due to continued improvements in healthcare;
- increases in future inflation being higher than anticipated, which would lead to higher benefit payments; and
- changes in the legislative environment, resulting in an increase in liabilities.

The weighted average duration of the Fenner Pension Scheme liabilities is 15.2 years (2018: 16.0 years).

Movements in the net retirement benefit obligation in the Company balance sheet are as follows:

	2019 £000	2018 £000
Reconciliation of present value of plan liabilities		
At the start of the period	184,603	191,062
Current service cost	944	1,494
Administration expenses	559	-
Reclassification from plan assets	653	-
Past service - plan amendment	-	3,600
Interest cost	4,637	6,155
Remeasurements	11,033	(5,818)
Benefits paid	(8,535)	(11,890)
At the end of the period	193,894	184,603

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

24. Retirement benefit obligations (continued)

Reconciliation of present value of plan assets:

	2019	2018
	£000	£000
At the start of the period	166,648	175,777
Administration expenses	-	(939)
Reclassification from plan liabilities	653	-
Interest income	4,218	5,626
Remeasurements	20,611	(9,048)
Employer contributions	4,555	7,122
Benefits paid	(8,535)	(11,890)
At the end of the period	188,150	166,648

Active members of the scheme make contributions to the scheme but, due to a salary sacrifice arrangement, these are treated as contributions directly from the respective employer.

The fair value of assets of the scheme are as follows:

	31	31
	December	December
	2019	2018
	£000	£000
Quoted		
Equities	24,549	19,347
Global return funds	15,752	21,859
Dynamic asset allocation fund	-	16,598
Bonds	28,730	19,305
Loan funds	32,805	37,624
	101,836	114,733
Not Quoted		
Liability Driven Investment solution	61,155	49,712
Cash and cash equivalents	25,159	2,203
	86,314	51,915
Total assets of the schemes	188,150	166,648

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements

For the 12 month period ended 31 December 2019

24. Retirement benefit obligations (continued)

The Company's Liability Driven Investment solution with Legal & General contains leveraged GILT funds, Index linked GILTs and Leveraged Index Linked GILTs. These are fixed income funds.

The fair value of the insurance policies cannot be determined based upon an asset allocation. Due to this, paragraph 115 of IAS 19 is applied, which requires that the fair value of the plan assets is calculated based on the accrued pension rights, the actuarial rates (based on the discount rate and mortality table in the IAS 19 valuation) and the amounts payable to the insurance companies.

	31 December 2019 £000	31 December 2018 £000
Fair value of plan assets	188,150	166,648
Present value of plan liabilities	(193,894)	(184,603)
Net pension scheme liability	(5,744)	(17,955)

Amounts charged to the income statement are as follows:

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Current service cost	944	1,494
Administration expenses	559	939
Past service - plan amendment	-	3,600
Net interest cost	419	529
Total	1,922	6,562

Current service cost, administration expenses and past service are classified within operating profit and net interest cost is classified as notional interest within finance costs in the Consolidated income statement.

Past service - plan amendment relates to the estimated impact of the guaranteed minimum pension equalisation ruling for the Fenner Pension Scheme. These are classified as exceptional items.

FENNER GROUP HOLDINGS LIMITED

**Notes to the financial statements
For the 12 month period ended 31 December 2019**

24. Retirement benefit obligations (continued)

Amounts recognised in the statement of changes in equity are as follows:

	12 month period ended 31 December 2019 £000	16 month period ended 31 December 2018 £000
Actual return on plan assets	24,829	(3,422)
Less interest on plan assets	(4,218)	(5,626)
	20,611	(9,048)
Other actuarial remeasurements due to:		
- changes in financial and demographic assumptions and experience on obligations	(11,033)	5,818
Total remeasurements	9,578	(3,230)

Remeasurements are recognised in other comprehensive income in the period in which they are incurred.

	2019 %	2018 %
Actuarial assumptions		
Discount rate	2.0	2.6
Inflation rate - RPI	2.9	3.2
Inflation rate - CPI	1.9	2.2
Rate of increase in salaries	3.9	4.2
Rate of increase in benefits in payment subject to Limited Price Indexation increase:		
- capped at 5.0% (based on RPI)	2.8	3.1
- capped at 2.5% (based on RPI)	1.9	2.0
- capped at 3.0% (based on CPI)	1.7	1.9

FENNER GROUP HOLDINGS LIMITED

Notes to the financial statements For the 12 month period ended 31 December 2019

24. Retirement benefit obligations (continued)

The principal assumptions of the schemes are determined using appropriate expert advice and available market data. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables, with adjustments to reflect the schemes' actual mortality experience.

The principal assumptions used to determine the assets and liabilities of the schemes along with the expected future lifetime of average members currently at age 65 in 20 years time (i.e. members currently aged 45 years) are as follows:

	31 December 2019	31 December 2018
Current pensioner at age 65:		
- men	21.3 years	21.8 years
- women	23.3 years	23.6 years
Future pensioner at age 65 (current age 45):		
- men	22.7 years	23.2 years
- women	24.8 years	25.2 years

Sensitivity analysis

Changes to the principal assumptions can have an effect on the reported retirement benefit obligation for 2019. The effects of these changes are as follows:

	Half percentage point increase £	Half percentage point decrease £
Discount rate	(13,521,000)	15,009,000
Inflation	4,617,000	(5,792,000)

The sensitivity analyses, with the exception of inflation, are based on a change in assumption while holding all other assumptions constant. In practice movements in assumptions may be correlated. For the inflation sensitivity, the assumptions for salary increases, increases to pensions in payment and the revaluation of deferred pension before retirement are appropriately adjusted in line with the inflation movement.

25. Post balance sheet events

Details regarding post balance sheet events are described in more detail within the Directors report on page 4.

26. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Compagnie Generale des Etablissements Michelin SCA.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Compagnie Generale des Etablissements Michelin SCA. Copies of Compagnie Generale des Etablissements Michelin SCA's consolidated financial statements can be obtained from the company's registered office address which is 12 Cours Sablon, Clermont-Ferrand, Puy de Dome, France.