

Amann Threads UK Limited

Annual report and financial statements

Registered number 00519347

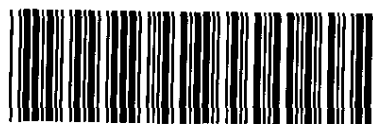
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Strategic report

Business review

Revenue in the year ended 31 December 2021 was £27,761,981 (2020: £27,041,617).

During 2020 the Company took actions to align the workforce with lower industry demand. In 2021 demand bounced back and exceeded all expectations. This left the company in the position that, whilst we increased manning levels to meet customer demand, we incurred significant premium freight costs in order to meet our customer delivery schedules. This coupled with significant raw materials price increases resulted in a operating loss return on sales of (8.8%) (Operating Profit 2020: 4.6%). The results for the year are set out on page 11.

Demand within our largest market sector, the manufactured Passenger Safety systems, grew. High employee turnover and absence levels hindered the companies ability to meet this rising demand. This resulted in consistent year on year sales rather than the expected growth. This market is serviced both directly from Amann Threads UK Ltd and via inter-company sales to other companies in the wider Amann Group. Sales to the UK sector, which forms the minority share of the business, increased by 15% during 2021 and recovered to almost pre pandemic levels.

The Company continues to manage its principal business risks whilst investing to cope with the fluctuating demand of established products in addition to the development of new thread technologies.

Future developments

The aim of the directors for the forthcoming year is to respond quickly to changes in customer demand. The slow growth expected, since the pandemic, by Amann customers is not now the reality and we see demand now overtaking supply. The directors continue to develop and expand the Company's activities and manufacturing processes within the Amann Group, whilst continuing to benefit from the worldwide market opportunities which exist from a global sales presence.

Key performance indicators (KPIs)

Management uses a range of performance measures to monitor and manage the business. The KPIs measure past performance and also provide information to allow the directors to manage the business into the future. Turnover and Operating Profit indicate the volume of work carried out and its profitability. KPIs for 2021 are shown in the table below, along with prior year comparatives.

	2021	2020	% Change in Year
Turnover	£27.76m	£27.04m	2.7%
Operating Profit	(£2.43)m	£1.25m	(294.4)%
Return on Sales %	(8.8)%	4.6%	(13.4)%

Financial risk management objectives and policies

The Company uses various financial instruments, such as loans and cash that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, market risk, foreign currency risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous years.

Market risk

Market risk encompasses currency risk and interest rate risk. The Company's policies for managing interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Foreign currency risk

The Company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible, the assets held in foreign currency are matched to an appropriate level of borrowings in the same currency.

Strategic report (continued)

Liquidity risk

The Company seeks to manage financial risk by ensuring liquidity is available to meet foreseeable needs. Short-term flexibility is achieved through a group cash pool arrangement.

Interest rate risk

The Company finances its operations through a mixture of retained cash generated from operations and Group funding arrangements. The company is exposed to interest charges on intercompany borrowings, but minimal third party interest on UK borrowings.

Credit risk

The Company's principal financial assets are cash and trade debtors.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references.

Brexit

Currency exposure is well hedged and now that the Global Tariff is in use the impact of additional duty cost is negligible to the business.

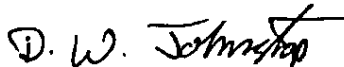
The Company has continued to work with customers and suppliers to ensure that the impact of the changes that have resulted from the Brexit negotiations are kept to a minimum.

Overall the business impact of Brexit has been negligible.

COVID-19

Throughout 2021 the company continued to exceed the Government COVID recommendations to ensure the safest working environment for its employees.

By order of the board



D Johnston
Director

Date:

12/9/22

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021.

Principal activity

The Company's principal activity is the manufacture and distribution of safety critical sewing thread to the automotive industry.

Directors

The directors of the Company are listed below.

J Stimpson
PI Morgalla (Resigned 26th July 2021)
D Harding (Resigned 26th January 2022)
D Johnston (Appointed 1st February 2022)

Employees

i) Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of employees, becoming disabled every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

ii) Employee Consultation

The company places considerable value on the involvement of its employees in the business and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is in the form of formal and informal meeting and information bulletins. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

iii) Employee Interests

The Directors recognise the vital importance of the company's employees and the key role they play in the on-going success of the business. Engagement with both support and operational employees is high and is maintained through regular company briefings and discussions. Employees are supported with training and development including through professional qualifications where needed.

Dividends

No dividends will be distributed for the year ended 31 December 2021 (2020: £Nil).

Disclosure of information to auditor

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

Other information

As permitted under s414C (11) of the Companies Act, an indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 3 and 4.

Directors' report *(Continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Saffery Champness LLP will therefore continue in office.

By order of the board

D. W. Johnston

D Johnston
Director

Date: 12/9/22

Registered office
South Street
Guide Mill
Ashton Under Lyne
Lancashire
OL7 0PJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF AMANN THREADS UK LIMITED STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and Applicable Law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMANN THREADS UK LIMITED

Opinion

We have audited the financial statements of Amann Threads UK Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, 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 and Republic of Ireland (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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMANN THREADS UK LIMITED (Continued)

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report and the directors report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, and UK Tax legislation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMANN THREADS UK LIMITED (Continued)

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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 Kite BSc FCA (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP
Chartered Accountants
Statutory Auditors

12/09/2022
Date

Trinity
16 John Dalton Street
Manchester
M2 6HY

Statement of Comprehensive Income
for the year ended 31 December 2021

	<i>Note</i>	2021 £	2020 £
Turnover	2	27,761,981	27,041,617
Cost of sales		(26,383,276)	(21,821,267)
		<hr/>	<hr/>
Gross profit		1,378,705	5,220,350
Administrative expenses		(3,838,296)	(4,313,935)
Other operating income	3	32,437	340,034
		<hr/>	<hr/>
Operating (loss) / profit		(2,427,154)	1,246,449
Other interest receivable and similar income	7	53,956	79,283
Interest payable and similar expenses	8	(109,309)	(148,619)
		<hr/>	<hr/>
(Loss) / profit before taxation		(2,482,507)	1,177,113
Tax on Loss / (profit)	9	312,369	(224,328)
		<hr/>	<hr/>
(Loss) / profit for the financial year		(2,170,138)	952,785
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive Income / (loss)			
Remeasurement of the net defined benefit liability	17	912,000	(646,000)
Income tax on other comprehensive (income) / loss		(60,617)	122,740
		<hr/>	<hr/>
Other comprehensive Income / (loss) for the year, net of income tax		851,383	(523,260)
		<hr/>	<hr/>
Total comprehensive (loss) / income for		(1,318,755)	429,525
		<hr/> <hr/>	<hr/> <hr/>

The results in the year arise wholly from continuing operations.

The notes on pages 14 to 30 form an integral part of these financial statements.

Balance sheet
at 31 December 2021

	<i>Note</i>	2021 £	2020 £
Fixed assets			
Intangible Assets	<i>10</i>	13,135	68,133
Tangible assets	<i>11</i>	4,076,361	4,320,276
		<hr/>	<hr/>
		4,089,496	4,388,409
Current assets			
Stocks	<i>12</i>	7,406,238	5,703,016
Debtors	<i>13</i>	7,574,103	8,051,369
Cash at bank and in hand		909,116	939,409
		<hr/>	<hr/>
		15,889,457	14,693,794
Creditors: amounts falling due within one year	<i>14</i>	(8,100,213)	(4,742,183)
		<hr/>	<hr/>
Net current assets		7,789,244	9,951,611
		<hr/>	<hr/>
Total assets less current liabilities		11,878,740	14,340,020
Creditors: amounts falling due after more than one year	<i>15</i>	(109,475)	-
Provisions for liabilities			
Pensions and similar obligations	<i>17</i>	(1,818,000)	(3,070,000)
		<hr/>	<hr/>
Net assets		9,951,265	11,270,020
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>18</i>	619,900	619,900
Share premium account	<i>18</i>	960,100	960,100
Profit and loss account		8,371,265	9,690,020
		<hr/>	<hr/>
Shareholders' funds		9,951,265	11,270,020
		<hr/>	<hr/>

The notes on pages 14 to 30 form an integral part of these financial statements.

These financial statements were approved by the board of directors, and authorised for issue on, and were signed on its behalf by:

D. W. Johnston

D Johnston
Director

12/9/22

Company registered number: 00519347

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 January 2020	619,900	960,100	9,260,495	10,840,495
Total comprehensive income for the year				
Profit for the financial year	-	-	952,785	952,785
Other comprehensive income	-	-	(523,260)	(523,260)
Total comprehensive income for the year	-	-	429,525	429,525
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2020	619,900	960,100	9,690,020	11,270,020
	£	£	£	£
Balance at 1 January 2021	619,900	960,100	9,690,020	11,270,020
Total comprehensive income for the year				
Loss for the financial year	-	-	(2,170,138)	(2,170,138)
Other comprehensive income	-	-	851,383	851,383
Total comprehensive loss for the year	-	-	(1,318,755)	(1,318,755)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2021	619,900	960,100	8,371,265	9,951,265

The notes on pages 14 to 30 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Amann Threads UK Ltd is a Private company limited by shares and incorporated and domiciled in England and Wales. Its registered office and principle place of business are at the same address; Guide Mills, South Street, Ashton-under-Lyne, Lancashire, OL7 0PJ.

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

The Company's parent undertaking, Amann and Sohne GmbH & Co.KG includes the Company in its consolidated financial statements. The consolidated financial statements of Amann And Sohne GmbH & Co. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Amann & Soehne GmbH & Co. KG, Hauptstrasse 1, 74357 Boennigheim, Germany. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures; and
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

As the consolidated financial statements of Amann and Sohne GmbH & Co.KG include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis.

1.2 *Going concern*

The financial statements are prepared on a going concern basis.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, in its banking and group cash pooling facility, to meet its liabilities as they fall due for that period.

1.3 *Foreign currency*

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

1.4 *Classification of financial instruments issued by the Company*

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

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company (continued)

- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

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

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Cash

Cash comprises of balances held at the bank.

1.6 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Plant and Machinery 10 to 40 years
- Computer Hardware 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense is incurred.

Other Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation less accumulated impairment loss.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows;

- Software 3 years
- Development costs 3 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last accounting period.

Notes (continued)

1 Accounting policies (continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Raw material cost is based on the average moving price as at 31 December 2021 and includes expenditure incurred in acquiring the stocks in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense /income on the net defined benefit liability/asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Notes (continued)

1 Accounting policies (continued)

1.10 Provisions

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

1.11 Turnover

Turnover is generated from the company's principal activity of the manufacture and distribution of sewing threads for Automotive, fashion and footwear uses.

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods. Sales cut off is determined by customer Inco terms based on when the risk of loss is transferred to the customer.

1.12 Expenses

Operating lease

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

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.13 Taxation (continued)

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

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

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

1.14 Termination Benefits

Termination benefits are recognised as an expense in the period that they were incurred.

2 Turnover

	2021 £	2020 £
Sale of goods	27,761,981	27,041,617
	<hr/>	<hr/>
Total turnover	<u>27,761,981</u>	<u>27,041,617</u>
	<hr/>	<hr/>
	£	£
By activity;		
Third Party Sales;		
Automotive	14,426,266	14,635,557
Other	4,274,121	3,721,297
	<hr/>	<hr/>
Total	18,700,387	18,356,854
Group Sales	9,061,594	8,684,763
	<hr/>	<hr/>
	<u>27,761,981</u>	<u>27,041,617</u>
	<hr/>	<hr/>
By geographical market		
UK	3,478,379	2,848,935
Europe	6,561,127	6,954,937
Rest of the world	8,660,881	8,552,982
	<hr/>	<hr/>
	<u>18,700,387</u>	<u>18,356,854</u>
	<hr/>	<hr/>

Notes (continued)

3 Other operating income

Included in profit are the following:

	2021	2020
	£	£
Government grants	8,204	340,034
Research and Development Tax Credits	24,233	-
	32,437	340,034
	32,437	340,034

The Company recognised £8,204 (2020: £340,034) of income from government grants. This is in respect of the COVID 19 related Job retention scheme which allowed the company to continue to pay furloughed employees and recover up to 80% of monies paid from the Government. This recovery was in accordance with the changing guidance issued by the Government during 2021.

4 Expenses and auditor's remuneration

The operating profit is stated after charging:

	2021	2020
	£	£
Impairment loss on tangible assets	1,402	6,685
Impairment (reversal)/loss on other debtors and prepayments	9,676	5,865
Restructuring costs expensed as incurred – included in cost of sales	-	307,709
	11,078	320,259
	11,078	320,259

Auditor's remuneration:

	2021	2020
	£	£
Audit of these financial statements	27,700	19,550
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of the financial statements of immediate parent of the company	1,300	1,050
Taxation compliance services	800	4,000
	29,800	24,600
	29,800	24,600

Tax compliance services for 2021 of £9,400 (2020: £4,450) related to the companies previous auditors. This amount is excluded from the Tax compliance services figure shown above of £800 (2020: £4,000).

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2021	2020
Production	232	224
Sales, General & Admin	23	22
	<hr/>	<hr/>
	255	246
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	6,886,380	6,574,190
Social security costs	619,107	616,752
Contributions to defined contribution plans	221,399	228,890
Expenses related to defined benefit plans	-	60,000
	<hr/>	<hr/>
	7,726,886	7,479,832
	<hr/>	<hr/>

6 Directors' remuneration

	2021	2020
	£	£
Directors' remuneration	181,761	219,512
Company contributions to money purchase pension plans	38,524	16,813
	<hr/>	<hr/>
	220,285	236,325
	<hr/>	<hr/>

The aggregate remuneration of the highest paid director was £111,951 (2020: £138,589) and company pension contributions of £20,595 (2020: £9,931) were made to a money purchase scheme on his behalf. One of the Directors receives remuneration from another Group company, Amann & Soehne GmbH & Co. KG. This Director did not perform any material qualifying services for the Company and thus no allocation of their remuneration has been made in these financial statements. This director resigned during 2022.

7 Other interest receivable and similar income

	2021	2020
	£	£
Interest on overpayment of taxes	924	133
Other finance interest	53,032	79,150
	<hr/>	<hr/>
	53,956	79,283
	<hr/>	<hr/>

Notes (continued)

8 Interest payable and similar expenses

	2021 £	2020 £
Bank interest	20,073	22,619
Other finance costs	89,236	126,000
	109,309	148,619

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £	£	2020 £	£
<i>Current tax</i>				
Current tax on income for the period	(500,574)		149,282	
Adjustments in respect of prior years	5,454		(36,592)	
		(495,120)		112,690
<i>Deferred tax (see note 15)</i>				
Origination and reversal of timing differences	137,993		96,270	
Change in tax rate	44,758		15,368	
		182,751		111,638
		(312,369)		224,328

	2021 £	2021 £	2021 £	2020 £	2020 £	2020 £
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	(495,120)	182,751	(312,369)	112,690	111,638	224,328
Recognised in other comprehensive income	-	60,617	60,617	-	(122,740)	(122,740)
	(495,120)	243,368	(251,752)	112,690	(11,102)	101,588

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2021 £	2020 £
Profit for the year	(2,170,138)	952,785
Total tax expense	(312,369)	224,328
	<hr/>	<hr/>
Profit excluding taxation	(2,482,507)	1,177,113
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	(471,676)	223,652
Fixed Asset differences	21,407	17,602
Research and Development Expenditure credits	4,604	-
Non-deductible expenses	275	257
Amounts charged directly to equity or otherwise transferred	173,280	-
Adjustment to tax charge in respect of previous period – Deferred tax	-	34,778
Adjustment to tax charge in respect of previous period	850	(36,592)
Remeasurement of deferred tax for changes in tax rates	(44,758)	(15,369)
Other	3,649	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	(312,369)	224,328
	<hr/>	<hr/>

The main rate of corporation tax for the year ended 31 December 2021 was 19% and will remain in force until 31 March 2023.

At the March 2021 Budget the Chancellor announced that from 1 April 2023 the main rate of corporation tax will be 25% for companies with annual profits over £250,000. For certain companies with annual profits below £50,000 the rate will remain at 19%. Marginal relief provisions will also be introduced so that, where a qualifying company's profits fall between the lower (£50,000) and upper (£250,000) limits, it will be able to claim an amount of marginal relief that bridges the gap between the lower and upper limits providing a gradual increase in the corporation tax rate.

The changes to increase the main rate of corporation tax to 25% was enacted on 10 June 2021, therefore deferred tax rates at the year end date have been measured using these enacted tax rates and reflected in the financial statements.

Notes (continued)

10 Intangible assets

	Software	Development	Total
	£	Costs	£
		£	
Cost			
Balance at 1 January 2021	12,229	153,648	165,877
Additions	2,005	-	2,005
Disposals	(2,005)	-	(2,005)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	12,229	153,648	165,877
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
Balance at 1 January 2021	9,774	87,970	97,744
Amortisation charge for the year	4,460	52,543	57,003
Disposals	(2,005)	-	(2,005)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	12,229	140,513	152,742
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2021	-	13,135	13,135
	<hr/>	<hr/>	<hr/>
At 31 December 2020	2,455	65,678	68,133
	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Tangible fixed assets

	Plant and machinery £	Total £
Cost		
Balance at 1 January	11,004,520	11,004,520
Additions	404,837	404,837
Disposals	(158,454)	(158,454)
	<hr/>	<hr/>
Balance at 31 December 2021	11,250,903	11,250,903
	<hr/>	<hr/>
Depreciation and impairment		
Balance at 1 January	6,684,244	6,684,244
Depreciation charge for the year	647,183	647,186
Disposals	(156,885)	(156,885)
	<hr/>	<hr/>
Balance at 31 December 2021	7,174,542	7,174,542
	<hr/>	<hr/>
Net book value		
At 31 December 2021	4,076,361	4,076,361
	<hr/>	<hr/>
At 31 December 2020	4,320,276	4,320,276
	<hr/>	<hr/>

Tangible fixed assets under construction

Included within plant and machinery are assets with cost of £137,685 (2020: £118,007) which as at the year-end are in the course of construction. These assets are not being depreciated.

12 Stocks

	2021 £	2020 £
Raw materials and consumables	4,692,643	3,128,148
Work in progress	1,944,581	1,654,203
Finished goods	769,014	920,665
	<hr/>	<hr/>
	7,406,238	5,703,016
	<hr/>	<hr/>

The write-down of stocks to net realisable value amounted to a release of £97,236 (2020: Charge of £34,502). These amounts represent provisions charged to the Profit and Loss in 2021 for excess or obsolete inventory.

Notes (continued)

13 Debtors

	2021 £	2020 £
Trade debtors	3,067,167	3,644,884
Amounts owed by group undertakings	326,780	462,762
Amounts owed by parent undertakings	3,173,452	3,173,452
Other debtors	289,680	515,059
Deferred tax assets (see note 16)	-	141,733
Prepayments and accrued income	198,620	113,479
Corporation tax	518,404	-
	<hr/>	<hr/>
	7,574,103	8,051,369
	<hr/>	<hr/>
Due within one year	7,560,400	7,999,431
Due after more than one year	13,703	51,938
	<hr/>	<hr/>
	7,574,103	8,051,369
	<hr/>	<hr/>

Other Debtors balance of £289,680 (2020 : £515,059) includes £13,703 (2020 : £51,938) due after more than one year.

14 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	2,620,647	1,704,423
Amounts owed to group undertakings	4,463,401	2,026,233
Taxation and social security	252,098	206,871
Accruals and deferred income	764,067	703,535
Corporation tax	-	101,121
	<hr/>	<hr/>
	8,100,213	4,742,183
	<hr/>	<hr/>

15 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Accruals and deferred income	7,840	-
Deferred Tax liabilities (See note 16)	101,635	-
	<hr/>	<hr/>
	109,475	-
	<hr/>	<hr/>

Notes (continued)

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	£	£	£	£	£	£
Fixed Asset timing differences	-	-	594,337	470,533	594,337	470,533
Short term timing difference	(480,562)	(606,907)	-	-	(480,562)	(606,907)
Losses and other deductions	(12,140)	(5,359)	-	-	(12,140)	(5,359)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(492,702)	(612,266)	594,337	470,533	101,635	(141,733)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company has no additional unrecognised gross tax losses in addition to the deferred tax asset above.

Notes (continued)

17 Employee benefits

(a) Defined Benefit Pension Scheme

As at 1 January 2010, the company took on the defined benefit pension scheme liability of Amann UK Limited. This company ceased trading on the 5 February 2009 and entered Members' voluntary liquidation on 14 October 2010. This company was finally dissolved on the 30 September 2017.

The company operates a defined benefit pension scheme for the benefit of certain directors and employees. The assets of the scheme are administered by the trustees in funds independent from those of the company.

Pension costs are assessed in accordance with the advice of an independent qualified actuary using the attained age method of valuation.

The scheme was closed to future accrual on 31 August 2006. Under the projected unit method, the current service cost will increase as members of the scheme approach retirement. The total pension contributions for the year were £380,004 (2020: £380,004) and the monthly contribution rate agreed for future years is as follows: 1 April 2019 to 30 September 2024, £31,667.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension liability

	2021
	£
Defined benefit obligation	(6,667,000)
Plan assets	4,849,000
	(1,818,000)
Net pension liability	(1,818,000)

Movements in present value of defined benefit obligation

	2021
	£
At 1 January	7,452,000
Current Service cost (Company Only, including administration expenses)	5,000
Interest expense	88,000
Remeasurement: actuarial losses (gains)	(575,000)
Benefits paid	(298,000)
Administration expenses paid	(5,000)
	6,667,000
At 31 December	6,667,000

Movements in fair value of plan assets

	2021
	£
At 1 January 2021	4,382,000
Remeasurement: return on plan assets less interest income	53,000
Actuarial gains (losses) on assets	337,000
Contributions by employer	380,000
Benefits paid	(298,000)
Administration expenses paid	(5,000)
	4,849,000
At 31 December 2021	4,849,000

Notes (continued)

17 Employee benefits (continued)

Expense recognised in the profit and loss account

	2021 £	2020 £
Net interest on net defined benefit liability	35,000	47,000
Past service costs and curtailments	-	60,000
Current Service cost (Company Only, including administration expenses)	5,000	9,000
	40,000	116,000
	40,000	116,000

The past service cost of £Nil (2020 £60,000) recognised the estimated additional liability arising during the year in respect of the requirement to equalise GMPs following the October 2018 court ruling in respect of the Lloyds pension scheme.

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £	2020 Fair value £
Equities	2,581,000	2,134,000
Corporate bonds	2,167,000	2,000,000
Other - Cash	101,000	248,000
	4,849,000	4,382,000
	4,849,000	4,382,000
 Actual return on plan assets	 390,000	 135,000

Principal actuarial assumptions (expressed as weighted averages) at the yearend were as follows:

	2021 %	2020 %
Discount rate	1.80	1.20
Future salary increases	n/a	n/a
Other material assumptions:		
CPI	2.95	2.45
RPI	3.55	3.15
Inflation	3.45	3.35

Notes (continued)

17 Employee benefits (continued)

The last full actuarial valuation was performed as at 31 March 2019, but updated at each year end by a professional independent actuary.

In valuing the liabilities of the pension fund at 31 December 2021, mortality assumptions have been made as indicated below.

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

- Current pensioner aged 65: 22 years (male), 24 years (female).
- Future retiree upon reaching 65: 24 years (male), 26.0 years (female).

(b) Defined contribution plans

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were unpaid contributions of £40,336 outstanding at the yearend (2020: £36,686). The total expense relating to these plans in the current year was £221,399 (2020: £229,611). These costs are shown within staff costs.

18 Capital and reserves

	2021	2020
	£	£
<i>Allotted, called up and fully paid</i>		
619,900 ordinary shares of £1 each	619,900	619,900
Share Premium Account	960,100	960,100
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	1,580,000	1,580,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The share premium account represents the premiums received on issue of share capital.

Notes (continued)

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021	2020
	£	£
Less than one year	397,340	298,324
Between one and five years	1,196,427	1,060,113
More than five years	-	128,472
	1,593,767	1,486,909

During the year £382,254 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £340,585).

On the 8 May 2017 a new lease agreement was signed for the land and buildings from which the business operates. This lease expires on the 30 June 2026 and included a break clause dated 30 June 2021. This was not activated. The annual cost of the 3.5 year remaining lease is £314,391. This is calculated on a straight-line basis and was subject to a rent review during 2021.

20 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £372,804 (2020: £57,343).

21 Related party

The directors have taken advantage of the exemption in FRS102 Chapter 33.1A and, as the company is a wholly owned subsidiary of Amann & Soehne GmbH & Co. KG, have not disclosed related party transactions with the parent and subsidiary undertakings.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Amann Oxley Holdings Limited. The ultimate controlling party is Amann & Soehne GmbH & Co. KG.

The smallest and largest group in which the results of the Company are consolidated is that headed by Amann & Soehne GmbH & Co. KG incorporated in Germany. The consolidated financial statements of this group are available to the public and may be obtained from Hauptstrasse 1, 74357 Boennigheim, Germany.

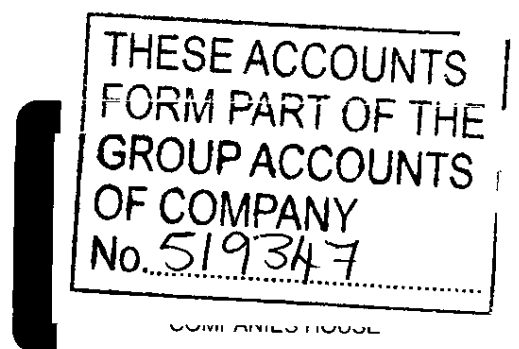


Consolidated financial statements as of December 31, 2021, and group management report

TRANSLATION – AUDITOR'S REPORT

Amann & Söhne GmbH & Co. KG
Bönningheim

KPMG AG Wirtschaftsprüfungsgesellschaft



The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

Amann & Söhne GmbH & Co. KG, Bönningheim

Consolidated income statement in accordance with IFRS for financial year 2021

	2021 KEUR	2020 KEUR	Note
Revenue	202,145	176,389	3.1
Cost of sales	-138,762	-118,867	3.2
Gross profit	<u>63,383</u>	<u>57,522</u>	
Selling and distribution expenses	-25,263	-25,288	
General administrative expenses	-29,635	-27,089	
Reversal of impairment losses on receivables	234	115	
Other operating income and expenses	<u>2,560</u>	<u>1,269</u>	3.4
	<u>11,279</u>	<u>6,529</u>	
Restructuring expenses	<u>0</u>	<u>-3,196</u>	
Operating profit	<u>11,279</u>	<u>3,333</u>	
Finance income	4,810	6,355	
Finance costs	-5,019	-9,424	
Share of profit of equity-accounted investees	<u>417</u>	<u>428</u>	
Net finance income/costs	<u>208</u>	<u>-2,641</u>	3.5
Profit before tax	<u>11,487</u>	<u>692</u>	
Income tax expense	-3,000	-392	3.6
Profit after tax (profit for the period)	<u>8,487</u>	<u>300</u>	
thereof attributable to owners of the parent company	7,315	-186	
thereof attributable to other partners	1,172	486	

Amann & Söhne GmbH & Co. KG, Bönningheim

Consolidated statement of profit or loss and other comprehensive income pursuant to IFRS for financial year 2021

	2021 KEUR	2020 KEUR	Note
Profit after tax (profit for the period)	8,487	300	
Items that will not be reclassified to profit or loss			
Remeasurement of the net defined benefit liability (asset)	1,780	-1,859	
Related tax	-121	347	
	1,659	-1,512	4.9
Items that are or may be reclassified subsequently to profit or loss			
Unrealised gains/losses on foreign currency translation	6,677	-4,884	1.4
Reclassification of unrealised losses on foreign currency translation to profit or loss	0	-249	1.4
Unrealised gains/losses on revaluation reserves	2	-8	
Unrealised gains/losses on revaluation reserves – related tax	0	2	
Equity-accounted investees – share of OCI	418	-158	1.2
	7,097	-5,297	
Other comprehensive income, net of tax	8,756	-6,809	
Total comprehensive income	17,243	-6,509	
thereof attributable to owners of the parent company	15,726	-6,615	
thereof attributable to other partners	1,517	106	

Amann & Söhne GmbH & Co. KG, Bönningheim

Consolidated statement of financial position in accordance with IFRS as of December 31, 2021

Assets	Dec. 31, 2021	Dec. 31, 2020	Note
	KEUR	KEUR	
A. Non-current assets			
I. Intangible assets			
1. Concessions, industrial property and similar rights, software	1,746	2,349	
2. Goodwill	3,103	2,898	
3. Intangible assets under development	3,962	801	
	<u>8,811</u>	<u>6,048</u>	4.1
II. Property, plant and equipment			
1. Land and buildings	46,735	46,872	
2. Plant and machinery	34,569	32,578	
3. Other equipment, furniture and fixtures and office equipment	7,698	8,221	
4. Assets under construction	1,936	2,870	
	<u>90,938</u>	<u>90,541</u>	
III. Financial assets			
Equity-accounted investees	6,746	6,419	
	<u>6,746</u>	<u>6,419</u>	
IV. Deferred tax assets	6,480	7,326	3.6
V. Other non-current assets	560	526	4.1
	<u>113,535</u>	<u>110,860</u>	
B. Current assets			
I. Inventories			
1. Raw materials and consumables	28,528	22,312	
2. Work in progress	8,715	7,359	
3. Finished goods and merchandise	25,098	19,671	
	<u>62,341</u>	<u>49,342</u>	4.2
II. Receivables and other assets			
1. Trade receivables	40,248	34,681	4.3
2. Securities	104	101	4.4
3. Cash and cash equivalents	16,051	24,680	4.5
4. Other current assets	4,785	3,447	4.6
5. Tax receivables	3,431	2,017	4.7
	<u>64,619</u>	<u>64,926</u>	
	<u>126,960</u>	<u>114,268</u>	
Total assets	<u>240,495</u>	<u>225,128</u>	

Amann & Söhne GmbH & Co. KG, Bönningheim

Consolidated statement of financial position in accordance with IFRS as of December 31, 2021

Equity and liabilities	Dec. 31, 2021	Dec. 31, 2020	
	KEUR	KEUR	Note
A. Consolidated equity			
I. Equity attributable to owners of the parent company			
1. Share capital	7,800	7,800	
2. Reserves	12,738	12,738	
3. Retained earnings	<u>46,168</u>	<u>33,476</u>	
	<u>66,706</u>	<u>54,014</u>	
II. Non-controlling interests	5,766	4,248	
	<u>72,472</u>	<u>58,262</u>	4.8
B. Non-current liabilities			
1. Provisions for employee benefits and similar obligations	44,333	46,096	4.9
2. Other non-current provisions	1,656	1,532	4.9
3. Non-current loans and borrowings	15,783	25,101	4.10
4. Non-current lease liabilities	2,426	2,689	4.10
5. Other non-current liabilities	12	5	
6. Deferred tax liabilities	<u>1,767</u>	<u>1,660</u>	3.6
	<u>65,977</u>	<u>77,083</u>	
C. Current liabilities			
1. Other current provisions	7,560	7,499	4.9
2. Current loans and borrowings	16,066	8,800	4.11
3. Trade payables	16,240	12,027	4.11
4. Liabilities to partners	51,077	49,544	4.11
5. Current lease liabilities	1,670	1,655	4.11
6. Income tax liabilities	1,945	4,098	4.11
7. Other current liabilities	<u>7,488</u>	<u>6,160</u>	4.11
	<u>102,046</u>	<u>89,783</u>	
Total assets	<u><u>240,495</u></u>	<u><u>225,128</u></u>	

Amann & Söhne GmbH & Co. KG, Bönningheim

Consolidated statement of changes in equity pursuant to IFRS for financial year 2021

	Share capital KEUR	Reserves KEUR	Retained earnings KEUR	Translation reserve KEUR	Revaluation reserve KEUR	Profit/loss for the year KEUR	Equity attributable to owners of the parent company KEUR	Non- controlling interests KEUR	Total equity KEUR	Note 2021
	Total retained earnings									
Balance at 1 January 2020	7,800	12,738	56,935	3,149	-14,272	0	66,350	4,142	70,492	
Profit after tax (profit for the period)						-186	-186	486	300	
Change:										
Unrealised losses on foreign currency translation				-4,504			-4,504	-380	-4,884	1.4
Reclassification of unrealised losses on foreign currency translation to profit or loss				-249			-249		-249	1.4
Unrealised losses on revaluation reserves pursuant to IAS 19 revised (2011) from equity-accounted investees				-158	-6		-1,512		-1,512	4.9
Total comprehensive income							-6,615	106	-6,509	1.2
Offset against partner accounts						-5,721	-5,721		-5,721	6.8
Contributed to retained earnings						5,907	0		0	
Balance at 31 December 2020	7,800	12,738	51,028	-1,762	-15,790	0	54,014	4,248	58,262	
Balance at 1 January 2021	7,800	12,738	51,028	-1,762	-15,790	0	54,014	4,248	58,262	
Profit after tax (profit for the period)						7,315	7,315	1,172	8,487	
Change:										
Unrealised gains on foreign currency translation				6,332			6,332	345	6,677	1.4
Unrealised losses on revaluation reserves pursuant to IAS 19 revised (2011) from equity-accounted investees					2		2		2	4.9
Total comprehensive income							15,726	1,517	17,243	1.2
Offset against partner accounts						-3,034	-3,034		-3,034	6.8
Contributed to retained earnings						-4,281	0		0	
Balance at 31 December 2021	7,800	12,738	55,309	4,988	-14,129	0	66,706	5,766	72,472	

Amann & Söhne GmbH & Co. KG, Bönningheim

Consolidated statement of cash flows pursuant to IFRS for financial year 2021

	2021 KEUR	2020 KEUR	Note
Profit after tax (profit for the period)	8,487	300	
plus income tax	2,061	1,470	
Restructuring expenses	0	3,196	
plus interest income	1,662	1,827	
less dividends	-5	-5	
Operating profit, net	<u>12,205</u>	<u>6,788</u>	
Depreciation and amortisation	11,908	12,524	
Gain (-) / loss (+) on sale of property, plant and equipment	-38	-25	3.4
Other non-cash income (-) and expenses (+)	274	-1,783	5.
Increase (+) / decrease (-) in provisions	-362	-470	4.9* **
Changes in impairment of inventories	-181	527	4.2*
Changes in impairment losses on receivables	-250	-102	4.3*
Increase (-) / decrease (+) in inventories	-10,401	-474	4.2*
Increase (+) / decrease (-) in trade payables	3,568	590	4.11*
Increase (-) / decrease (+) in trade receivables	-3,363	-171	4.3*
Changes in other items of the statement of financial position	-899	-1,142	
Income taxes paid	-4,713	-163	
Cash flows from restructuring	-2,018	-928	4.9
Cash flows from operating activities	<u>5,730</u>	<u>15,171</u>	
Acquisition of intangible assets	-3,561	-1,349	
Acquisition of property, plant and equipment	-7,788	-4,171	
Proceeds from sale of property, plant and equipment	69	74	
Interest received from third parties	114	115	
Dividends received from associates	508	632	
Dividends received from third parties	5	5	
Cash flows from investing activities	<u>-10,653</u>	<u>-4,694</u>	
Repayment of borrowings	-5,401	-23,970	4.10 / 4.11*
Proceeds from loans and borrowings	3,298	22,416	4.10 / 4.11*
Payment of liabilities to partners	-1,994	-2,707	
Proceeds from liabilities to partners	3	760	
Payment of lease liabilities	-325	-1,082	
Interest paid	-785	-995	
Cash flows from financing activities	<u>-5,204</u>	<u>-5,578</u>	
Effect of remeasurements	1,661	-1,518	4.8*
Effect of movements in exchange rates on cash held	-295	134	1.4
Net increase/decrease in cash and cash equivalents	<u>-8,761</u>	<u>3,515</u>	
Cash and cash equivalents at the beginning of the period	23,641	20,126	
Cash and cash equivalents at the end of the period	<u>14,880</u>	<u>23,641</u>	5. ***

* Contrary to the disclosures in the notes to the consolidated financial statements, the change is adjusted for the effect of movements in exchange rates.

** The change also includes interest from non-current provisions.

*** According to the statement of financial position, cash and cash equivalents amount to KEUR 16,051. The difference results from short-term deposits falling due after more than three

Amann & Söhne GmbH & Co. KG, Bönningheim

Notes to the consolidated financial statements for financial year 2021

1. General information

1.1. Basis of accounting

The consolidated financial statements of Amann & Söhne GmbH & Co. KG, Bönningheim, for the year ending 31 December 2021 have been prepared in accordance with the regulations of the International Accounting Standards Board (IASB). All International Financial Reporting Standards (IFRS) adopted and published by 31 December 2021, as applicable in the EU from 1 January 2021, have been taken into account in accordance with Section 315e (3) of the German Commercial Code [HGB] in conjunction with Section 315e (1) HGB. All mandatory pronouncements of the IASB have been taken into account. The previous year's figures were determined on the same basis.

These consolidated financial statements comprise the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to consolidated financial statements. The consolidated financial statements pursuant to IFRS are supplemented by a group management report in accordance with Section 315e HGB in conjunction with Section 315 HGB.

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations which are effective for the current financial year. Compared to IFRS 2020, as applicable in the EU, the following substantive amendments are noteworthy:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 4 – Deferral of effective date of IFRS 9

Application of these standards has not led to any changes in the Group's accounting policies.

At the date the consolidated financial statements were prepared, the following standards issued and endorsed by the EU but not yet effective (i.e. effective for financial year 2022) were of relevance for the Company:

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) (effective from 1 April 2021)
- Annual improvements to IFRSs 2018-2020 Cycle (IFRS 1, IFRS 9, IAS 41, IFRS 16)
- Onerous contracts – Cost of fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)

The following amendments are effective from financial year 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts

The Company has not early adopted these standards and interpretations.

The specified standards are not expected to have a significant impact on AMANN GROUP's consolidated financial statements.

The consolidated financial statements are presented in euros (EUR). Unless otherwise stated, all amounts are presented in thousands of euros (KEUR). For this purpose, all values were rounded to the nearest thousand euros (KEUR), which could result in rounding differences of EUR 1,000.

The consolidated income statement has been prepared using the cost of sales method.

1.2. Reporting entity (consolidated group)

The group parent company is Amann & Söhne GmbH & Co. KG at the registered address: Hauptstraße 1, 74357 Bönningheim. It is listed in the commercial register of Stuttgart District Court under file number HRA 300309. The AMANN GROUP manufactures and sells sewing cotton and machine embroidery thread mainly for industrial applications. In addition to the parent company, 24 German and international production and distribution companies were included in the consolidated financial statements as at 31 December 2021 (PY: 24). A company is consolidated pursuant to IFRS 10.6 if the investor (parent company) has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee (subsidiary);
- the ability to use its power over the investee to affect the amount of the investor's returns.

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in **Section 7 Shareholdings**.

Amann Bangladesh Ltd., Dhaka, was established with effect from 24 November 2010. Amann International GmbH, Bönningheim, has a 51% share in Amann Bangladesh Ltd., Dhaka. The company is another production and sales location of the AMANN GROUP.

Non-controlling interests of 49% are held by Standard Group Ltd., Dhaka. The non-controlling interests were measured at fair value and amounted to KEUR 5,766 as at 31 December 2021 (PY: KEUR 4,248).

Initial consolidation as at 1 January 2019 resulted in goodwill of KEUR 12 from offsetting the fair value against the previous carrying amount.

One joint venture is consolidated using the equity method (PY: one).

On 11 December 2009, Amann Asia Ltd., Hong Kong, acquired 49% of the shares in **Thread International Company Ltd., Hong Kong**, which in turn holds 55% of the shares in each of the two Chinese companies: Shanghai Hua Chang Spinning Mills Company Ltd., Shanghai, and Shanghai New Hua Chang Spinning Mills Company Ltd., Shanghai. Thread International Company Ltd., Hong Kong, supplies production companies of the AMANN GROUP with spinning products. The investment in the joint venture is consolidated using the equity method. The equity of the separate entity Thread International Company Ltd., Hong Kong, amounted to KEUR 3,687 on the date of acquisition (HKD 40,984 thousand). The investment carrying amount of Thread International Company Ltd., Hong Kong, changed as follows:

	KEUR
Investment carrying amount on the date of acquisition	7,137
from depreciation and amortisation of savings effects (<i>thereof in 2021: KEUR 0</i>)	-2,500
from distribution of profits (<i>thereof in 2021: KEUR -508</i>)	-2,937
from profit for the period (<i>thereof in 2021: KEUR 417</i>)	4,906
from foreign exchange effects (<i>thereof in 2021: KEUR -418</i>)	140
Investment carrying amount 31 December 2021	6,746

	KEUR
Thread International Company Ltd.'s equity 31 December 2021	9,256
thereof 49%	4,536
Goodwill on date of acquisition	4,709
Depreciation and amortisation of savings effects	-2,500
Investment carrying amount 31 December 2021	6,746

55% of the equity of the consolidated entity Thread International Company Ltd., Hong Kong, (including its subsidiaries) is attributable to the owners of the parent company (Thread International Company Ltd., Hong Kong). All of the following information concerning Thread International Company Ltd., Hong Kong, is on a consolidated basis.

Thread International Company Ltd., Hong Kong, shows the following balance sheet items:

	12/2021 KEUR	12/2020 KEUR
Non-current assets	4,773	3,693
Current assets	13,384	13,247
<i>thereof cash and cash equivalents</i>	3,207	4,927
Assets	18,157	16,940
Equity	16,759	15,556
<i>thereof attributable to owners of the parent company (55%)</i>	9,256	8,589
Current liabilities	1,398	1,384
Total liabilities	1,398	1,384

Revenue amounted to KEUR 15,362 in financial year 2021 (PY: KEUR 14,260). Profit of KEUR 1,549 was generated in 2021 (PY: KEUR 1,586), of which KEUR 851 (PY: KEUR 872) is attributable to the owners of the parent company. Profit for the year includes depreciation and amortisation in the amount of KEUR 369 (PY: KEUR 405), finance costs of KEUR 119 (PY: KEUR 317) and income tax of KEUR 518 (PY: KEUR 797).

Total comprehensive income breaks down as follows:

	12/2021 KEUR	12/2020 KEUR
Profit after income tax	1,549	1,586
Unrealised gains/losses on foreign currency translation	529	968
Total comprehensive income	2,079	2,554
<i>thereof attributable to owners of the parent company</i>	1,143	1,405

Die AMANN GROUP has a non-controlling interest of 49% in Thread International Company Ltd., Hong Kong. It therefore has no controlling influence over the operating policies of the two associated Chinese companies.

1.3. Basis of consolidation

The consolidated financial statements of the AMANN GROUP are based on the separate financial statements of the subsidiaries and joint ventures included in the consolidated financial statements and prepared in accordance with uniform accounting policies for the period ending 31 December 2021. With the exception of two entities, the reporting date of the separate financial statements of all consolidated entities is the same as the reporting date of the consolidated financial statements (31 December 2021). The reporting date of Amann Sewing & Embroidery Threads Private Ltd., Chennai, is 31 March. However, the company prepares IFRS financial statements each year as at 31 December for consolidation purposes. The reporting date of the equity-accounted Thread International Company Ltd., Hong Kong, is 31 March. The company prepares an IFRS reporting package each year as at 31 December for consolidation purposes. The reporting date of its two associates is 31 December.

Since 1 January 2005, capital has been consolidated using the acquisition method in accordance with IFRS 3 *Business Combinations* for the initial consolidation of subsidiaries. On initial measurement, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. Minority interests (non-controlling interests) are therefore measured at their share in the fair values of the assets and liabilities. The acquisition cost of the shares acquired is offset against the Group's share in the equity of the subsidiary measured at fair value. If a positive net asset balance remains after offsetting, it is recognised as goodwill under intangible assets. Negative goodwill is recognised in profit or loss.

For acquisitions prior to 1 January 2005, the option under IFRS 1.15 was exercised by including these business combinations in the IFRS consolidated financial statements in line with reporting under German commercial law.

In accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, goodwill was reported at the carrying amount according to German commercial law as at 1 January 2005 (*transition date*).

Companies under joint control within the meaning of IAS 28 *Investments in Associates and Joint Ventures (2011)* are accounted for using the equity method.

Intercompany profits and losses, revenue, expenses and income as well as all receivables and liabilities between the group entities are eliminated. Intercompany profit or loss from non-current assets and inventories is also eliminated.

Non-controlling equity interests and shares in profit or loss of investees are recognised under the item 'non-controlling interests'.

Deferred tax assets and liabilities are recognised on consolidation transactions through profit or loss pursuant to IAS 12 *Income Taxes*, insofar as these are temporary or quasi-permanent differences.

1.4. Foreign currency translation

The reporting currency of AMANN GROUP is the euro. Foreign currency is translated pursuant to IAS 21 *The Effects of Changes in Foreign Exchange Rates* in accordance with the functional currency method. As all consolidated entities operate their business independently, their national currency is the functional currency. For all separate financial statements of subsidiaries that do not report in euros, assets and liabilities are translated using the closing rate on the reporting date; equity is translated using the historical exchange rate, and expenses and income are translated using the average annual rate. The foreign currency translation differences on consolidation amount to KEUR -7,095 (PY: KEUR -5,291). Of this amount, KEUR -5,861 (PY: KEUR -3,094) is attributable to capital consolidation (thereof KEUR 345 to non-controlling interests) and KEUR 611 (PY: KEUR -1,622) to consolidation of liabilities. There were also foreign exchange gains on recognition of Amann Oxley Threads Ltd.'s goodwill (Manchester) in the amount of KEUR -205 (PY: KEUR -168). The foreign exchange effects from equity-accounted investees in the amount of KEUR 418 (PY: KEUR -158) were recognised directly in equity. In accordance with the option under IFRS 1.D13, the foreign currency translation differences were set to zero as at 1 January 2005 (*transition date*).

The AMANN GROUP does not have any subsidiaries in hyperinflationary countries.

Transactions in foreign currency are translated in the separate financial statements of Amann & Söhne GmbH & Co. KG, Bönningheim, and the subsidiaries using the exchange rate applicable on the date of transaction. Assets and liabilities denominated in foreign currency are measured at the exchange rate applicable on the reporting date. Foreign currency translation differences are recognised in profit or loss and presented in the income statement under finance income/costs.

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The exchange rates used in the consolidated financial statements have developed in relation to 1 euro as follows:

		Closing rate 31 Dec. 2021	Average rate 2021	Closing rate 31 Dec. 2020	Average rate 2020
AUD	Australia	1.5613	1.5790	1.5859	1.6531
BDT	Bangladesh	97.0342	100.8122	95.3188	94.6232
BGN	Bulgaria	1.9558	1.9558	1.9558	1.9558
CNY	China	7.2172	7.6467	7.8328	7.7285
CZK	Czech Republic	24.8610	25.6962	25.4070	25.6662
GBP	United Kingdom	0.8400	0.8616	0.8501	0.8774
HKD	Hong Kong	8.8277	9.2089	8.7427	8.7861
HUF	Hungary	369.8500	359.3715	330.6100	325.4608
IDR	Indonesia	16,133.7	16,939.7923	15,587.1	15,852.1
INR	India	84.1680	87.3863	80.1500	78.8566
PLN	Poland	4.5944	4.5742	4.2597	4.2997
RON	Romania	4.9488	4.9209	4.7828	4.7447
USD	USA	1.1320	1.1849	1.1228	1.1217
VND	Vietnam	25,872.0	27,176.1	26,018.0	26,054.8

2. Accounting policies

The following section details the accounting policies used in the consolidated financial statements. Further explanatory notes on individual items of the consolidated income statement and the consolidated statement of financial position as well corresponding figures are presented in **Section 3 Notes to the income statement** and **Section 4 Notes to the balance sheet**.

The accounting policies remained unchanged from the prior year.

The preparation of financial statements according to IFRS requires judgements and estimates that affect the measurement of assets and liabilities, the nature and extent of contingent liabilities, and the reported amounts of income and expenses during the reporting period. In these consolidated financial statements, judgements and estimates have been made particularly in relation to useful lives, impairment losses on inventories and receivables and the calculation of provisions. There have been no major changes in the estimates compared with the previous year. There are no accounting estimates that present a significant risk for remeasurements in future financial years.

2.1. Intangible assets

Purchased intangible assets other than goodwill are recognised at cost including incidental acquisition costs and amortised on a straight-line basis over their estimated useful lives.

	Useful life
Goodwill	Impairment testing
Client base	5 years
Licences	5 years
Patents	Duration of the patent
Software	3 years

Pursuant to the consolidated financial statements prepared in accordance with German commercial law, goodwill is offset against retained earnings in the IFRS opening statement of financial position as at 1 January 2005, exercising the option under Section 309 (1) of the German Commercial Code [HGB] (superseded version). In accordance with IFRS 3 *Business Combinations* in conjunction with IAS 36 *Impairment of Assets*, goodwill is tested for impairment annually (impairment test). Impairment is tested using the discounted cash flow method on the basis of future forecasts of the respective cash generating unit.

The AMANN GROUP does not conduct basic research. Research and development activities focus on quality assurance and the further development of products based on customer requirements. In 2021, research and development costs amounted to KEUR 1,144 (PY: KEUR 835).

2.2. Property, plant and equipment

In accordance with IAS 16 *Property, plant and equipment*, property, plant and equipment are stated at cost less straight-line depreciation. Production costs include all costs directly or indirectly attributable to the production process. When items of property, plant and equipment are sold or retired, their cost and any accumulated depreciation and impairment losses are eliminated from the statement of financial position. The gain or loss resulting from sale is recognised in profit or loss.

Depreciation of items of property, plant and equipment is calculated on a straight-line basis using the following useful lives applicable throughout the Group:

	Useful life
Land and buildings	10 to 40 years
Plant and machinery	5 to 15 years
Other equipment, furniture and fixtures and office equipment	3 to 15 years

The residual values and useful lives are reviewed annually pursuant to IAS 16.51.

Leased assets are depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

2.3. Impairment

IAS 36 *Impairment of Assets* requires an assessment at the end of each reporting period whether there is any indication that assets recognised in the statement of financial position may be impaired. If any such indication exists, a so-called impairment test is carried out. The recoverable amount of the asset or cash generating unit (CGU) is estimated in order to determine any need to recognise impairment losses. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the asset is lower than its carrying amount, an impairment loss is recognised. If the reasons for an impairment loss no longer apply, except in the case of goodwill, the impairment loss is reversed up the amount of amortised cost.

2.4. Leases

The right-of-use assets recognised at the AMANN GROUP pursuant to IFRS 16 are included in the same statement of financial position items in which the underlying assets would also be presented if they were owned by AMANN. Leases for real estate and land use rights are presented under land and buildings in the statement of financial position. Leases for vehicles are reported under other equipment, furniture and fixtures and office equipment in the statement of financial position.

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability (IFRS 16.22). Pursuant to IFRS 16.26, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate shall be used.

Right-of-use assets are recognised in the amount of the lease liability, discounted at the incremental borrowing rate applicable at the date of initial application.

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In applying IFRS 16, the AMANN GROUP made use of the practical expedients of IFRS 16. In particular, the AMANN GROUP:

- recognises neither right-of-use assets nor lease liabilities for leases whose term ends within 12 months of the date of initial application,
- recognises neither right-of-use assets nor lease liabilities for leases for which the underlying asset is of low value.

2.5. Government grants

Pursuant to IAS 20, a government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Subsidies for assets are deducted for the purpose of calculating the carrying amount of the asset.

2.6. Inventories

In accordance with IAS 2.9, inventories are stated at the lower of cost and net realisable value. Costs of production comprise production-related full costs, in particular directly attributable individual costs (such as production material and wages) as well as fixed and variable production overheads (such as material and production overheads) including reasonable depreciation on production installations. Borrowing costs are not recognised as part of cost (IAS 23 *Borrowing Costs*), as inventories are qualifying assets pursuant to IAS 23.5.

Write-downs on inventories are recognised if their cost exceeds their expected net realisable value. This takes sufficient account of all inventory, sales and earnings risks.

Based on past experience, the following write-down rules apply:

Range in years	Write-down in %
Less than 1 year	0.0
1 year to 3 years	20.0
3 years to 5 years	50.0
More than 5 years	100.0

2.7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

In accordance with IFRS 9 *Financial Instruments*, financial instruments are classified as follows:

- financial assets and liabilities designated at fair value through profit and loss or held for trading financial assets and liabilities;
- financial assets measured at fair value through other comprehensive income;
- financial assets and liabilities measured at amortised cost.

The classification of financial instruments depends on the following factors:

- the type of business model in which the financial instrument is held;
- the structure of contractual cash flows.

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. After initial recognition, depending on classification, the financial assets are measured at fair value or amortised cost as at the reporting date.

Financial assets held for trading are measured at fair value, with changes in fair value recognised in profit or loss. These are exclusively derivative financial instruments, which are used in the AMANN GROUP primarily for currency hedging.

Other investments as well as securities and shares in equity or pension funds are generally classified as 'financial assets at fair value through other comprehensive income' and thus recognised at fair value. If there is no active market for investments and no reliable market value can be determined with reasonable effort, they are recognised at cost. If there are any indications of lower fair values, these are recognised. Unrealised gains and losses are recognised as a separate item directly in equity, taking deferred taxes into account. Changes in fair (market) value are recognised in profit or loss when the disposal of an asset is realised or there is objective evidence of impairment. Increases in the fair value of equity instruments are always recognised directly in equity, even if a reduction in value has previously been recognised in profit or loss.

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The fair value generally corresponds to the market or stock exchange value. If there is no active market, the fair value is determined using recognised valuation methods (e.g. discounting the estimated future cash flows using the market interest rate or option pricing models).

Held to maturity financial assets as well as current and non-current financial liabilities are measured at amortised cost using the effective interest method. These mainly involve loans, trade receivables and other current and non-current financial assets and liabilities. Amortised cost corresponds to the original cost, taking into account repayments and amortisation. Non-interest-bearing or low-interest loans are recognised at their present value and discounted over the term of the loan.

The simplified approach is used for the recognition of impairment losses. It was assumed that the losses expected over the entire term of the receivables are sufficiently covered by the allowances for receivables recognised. The amount of the specific allowance depends on the due date for net payment of the receivable. The following sliding scale is applied at AMANN GROUP:

Due date for net payment being exceeded by	Specific allowance in %
91-180 days	50.0
181-360 days	75.0
more than 361 days	100.0

Under 90 days past due, it is assumed that the risk of default has not increased significantly since initial recognition.

Upon receipt of payment of impaired receivables or entry into insolvency, the loss allowance is used or reversed accordingly. As receipt of payment is considered unlikely when insolvency occurs, it is assumed that the receivable is uncollectible.

At each reporting date, it is determined whether there is objective evidence of impairment resulting from an event after initial recognition of a financial asset that has an impact on the estimated future cash flows of the asset that can be reliably estimated. Objective evidence of impairment includes default or arrears of a debtor, concessions on the Group's receivables that would not have been granted to a debtor under normal circumstances, indications of insolvency of a debtor and changes in economic conditions that correlate with defaults on the Group's assets.

Cash and cash equivalents include cash on hand, bank balances and short-term deposits with a maturity of up to three months from the date of acquisition and short-term deposits of up to one year. These items are presented at nominal value.

2.8. Equity-accounted investees

Investments in joint ventures are accounted for using the equity method and presented separately in the statement of financial position under the item 'equity-accounted investees'. They are initially recognised at cost and in subsequent periods at the amortised proportionate share of net assets. The carrying amounts are increased or decreased annually by the share of profit, dividends and other changes in equity, respectively. Receivables from joint ventures are measured at amortised cost. The fair value of the joint venture Thread International Company Ltd., Hong Kong, is partly based on synergy effects and cost savings that arose in the past due to relocation of production from Europe to Asia.

2.9. Tax receivables

Tax receivables include income tax receivables and other tax receivables measured at nominal value.

2.10. Deferred tax assets and liabilities

Deferred tax assets and liabilities are determined based on IAS 12 Income Taxes. Deferred tax assets and liabilities are thus recognised for all temporary differences between IFRS accounts and tax accounts of individual entities, and also for consolidation transactions. Deferred tax assets also have to be recognised for future asset benefits attributable to tax losses carried forward, to the extent that it is probable that such losses will be utilised. Deferred tax assets and liabilities are measured on the basis of the applicable national income tax rates. For calculating domestic deferred tax assets and liabilities, the average trade tax rate is taken into account for partnerships. In the case of domestic corporations, the corporation tax of 15% and the solidarity surcharge of 5.5% are also applied. In accordance with IAS 12 Income Taxes, deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities relating to items recognised directly in equity are also recognised directly in equity. Deferred tax assets are offset against deferred tax liabilities if the claims and liabilities relate to income taxes for the same taxable entity and are levied by the same taxation authority (IAS 12.74).

2.11. Provisions for employee benefits and similar obligations

The provisions for employee benefits and similar obligations comprise the Group's defined benefit obligations arising from defined benefit retirement pension schemes. The defined benefit obligations are determined using the *projected unit credit method* (IAS 19 revised (2011) *Employee Benefits*). Actuarial reports are obtained annually for this purpose, using the current 2018 G guideline tables by Prof Klaus Heubeck or comparable international reference tables. The vested and unvested service cost is presented under personnel expenses. The net interest component is recognised under finance income/costs.

In 2016, AMANN GROUP introduced another company pension scheme at the German entities, allowing employees to transfer some of their salary into a savings plan. An interest rate of 0.88% was used for discounting the Amann pension plan. Expected future pension increases and fluctuation were taken into account.

Since 2018, an actuarial report has been commissioned by Amann & Söhne GmbH & Co. KG, Bönningheim, for the Amann Deferred Compensation Programme. This programme provides

employees with the option of paying their bonus into a pension insurance policy. An interest rate of 0.88% was used for discounting.

Amann & Söhne GmbH & Co. KG, Bönningheim, has pension obligations based on a general pension arrangement that are reinsured via Gerling Unterstützungskasse für die gesamte Wirtschaft e.V. An interest rate of 0.88% was used for discounting.

2.12. Other provisions

Other provisions are recognised if a past event results in a current obligation, if the extent to which the provision will be utilised is more likely than unlikely, and if a reliable estimate can be made of the amount of the obligation (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). The provision is measured on the basis of the settlement amount with the highest probability of occurrence. Provisions are recognised only for legal or constructive obligations to third parties.

Provisions for structural measures are made to the extent that they satisfy the criteria of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. In particular, a provision is made only if a detailed restructuring plan exists and if the major points of this plan have been notified to the affected employees before the reporting date or if the process of implementation has already commenced.

Non-current provisions with a remaining term to maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period if the effect of discounting is material. The discount rates used depend on the term of the obligation. Please refer to **Section 4.9 Provisions** for details on individual provisions.

2.13. Liabilities

In accordance with IFRS 9 *Financial Instruments*, liabilities are recognised at amortised cost (using the effective interest method). Lease liabilities are recognised at the fair value of minimum lease payments.

2.14. Recognition of revenue and other income

Revenue and other income must be recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*. This standard is applicable to all contracts with customers; exceptions are set out under IFRS 15.5 (e.g. leases).

Revenue is recognised in the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. AMANN GROUP has country and customer-specific payment agreements for compensation (payment to customers).

Revenue is recognised when the goods are dispatched. The revenue recognised in the reporting year corresponds to the performance obligations. Performance obligations from contracts with customers usually arise at the AMANN GROUP when orders are placed by customers and are fulfilled within one year. For performance obligations from the sale of sewing and embroidery yarns, the AMANN GROUP generally applies the statutory warranties.

Revenue and other income are recognised less general VAT and any price concessions when delivery has occurred, or other services have been rendered and beneficial ownership has been transferred together with the associated risks.

Interest income is recognised over time using the effective interest method. Dividends are recognised when the legal claim to payment arises.

2.15. Recognition of expenses

Operating expenses are recognised in profit or loss as incurred or when services are rendered.

3. Notes to the income statement

3.1. Revenue

Revenue from the sale of goods to customers amounting to KEUR 202,145 was generated in the reporting year (PY: KEUR 176,389), which breaks down as follows:

	2021 KEUR	2020 KEUR
Germany	23,441	25,126
Rest of Europe	80,858	71,587
Asia	75,668	60,251
Americas	20,258	17,847
Africa	1,920	1,578
Revenue	202,145	176,389

Breakdown of revenue by division:

	2021 KEUR	2020 KEUR
Apparel & Speciality (PY: Apparel)	142,814	119,064
Automotive	48,096	42,741
Consumer	11,235	14,584
Revenue	202,145	176,389

The reductions in earnings included in revenue amount to KEUR 3,912 (PY: KEUR 4,138).

3.2. Cost of sales – cost of materials

The cost of materials included in cost of sales (KEUR 138,762; PY: KEUR 118,876) breaks down as follows:

	2021 KEUR	2020 KEUR
Cost of raw materials and consumables and goods	81,109	64,029
Change in the impairment of raw materials and consumables and goods	-179	591
Cost of purchased services	741	570
Changes in inventories of finished goods and work in progress	-4,167	1,493
Cost of materials	77,504	66,683

3.3. Personnel expenses and number of employees

The personnel expenses (excluding restructuring) presented in the consolidated income statement break down as follows:

	2021 KEUR	2020 KEUR
Total wages and salaries	56,264	50,201
<i>Wages and salaries</i>	53,953	47,885
<i>Post-employment benefits</i>	297	3,031
<i>Other personnel expenses</i>	2,014	904
<i>Covid-19 subsidies</i>	0	1,619
Social security expenses	8,405	8,744
Employee benefits	2,724	1,905
Personnel expenses	67,393	60,850

Employee benefits include the expense for benefit entitlements excluding the corresponding interest component, which is reported under finance income/costs. Social security contributions include employer contributions to German statutory pension insurance of KEUR 1,902 (PY: KEUR 2,123).

In the reporting year, the AMANN GROUP received government grants due to Covid-19 in the amount of KEUR 0 (PY: KEUR 1,619).

Of the restructuring expenses totalling KEUR 0 (PY: KEUR 3,196), KEUR 0 (PY: KEUR 3,186) refers to personnel expenses.

On average, the AMANN GROUP employed 2,218 staff during the year (PY: 2,203). These break down by function as follows:

	2021	2020
Production	1,484	1,444
Sales and distribution	422	434
Administration	312	325
Total employees	2,218	2,203

The Group employed 2,283 staff as at the reporting date (PY: 2,159).

3.4. Other operating income and expenses

Other operating income and expenses break down as follows:

	2021 KEUR	2020 KEUR
Income from the sale of waste and scrap	319	218
Income from asset sales	70	52
Income from own work capitalised	905	296
Royalties	736	433
Other income	573	306
Other operating income	2,604	1,305
Losses on asset sales	-33	-27
Losses on the sale of waste and scrap	-1	-1
Other expenses	-10	-8
Other operating expenses	-45	-36
Total other operating income (+) and expenses (-)	2,560	1,269

The gains and losses on the sale of assets are income and expenses attributable to other periods.

3.5. Net finance income/costs

Net finance income/costs break down as follows:

	2021 KEUR	2020 KEUR
Foreign exchange gains	4,624	6,102
Interest received from third parties	1	26
Interest received from banks	104	117
Dividends received	5	5
Interest income on plan assets	73	104
Other finance income	2	1
Finance income	4,810	6,355
Foreign exchange losses	-3,176	-7,349
Interest on non-current provisions	-448	-578
Interest paid to third parties	-622	-585
Interest paid to banks	-629	-694
Interest on leases	-141	-183
Other finance costs	-3	-35
Finance costs	-5,019	-9,424
Share of profit of equity-accounted investees	417	428
Net finance income/costs	208	-2,641

3.6. Income tax expense

Effective and deferred tax expenses and income relate to German and foreign taxes on income, and break down as follows:

	2021 KEUR	2020 KEUR
Germany	439	-39
Abroad	1,622	1,509
Effective tax	2,061	1,470
Germany	538	-1,222
Abroad	401	144
Deferred tax	939	-1,078
Tax expense	3,000	392

The deferred tax of KEUR 939 arose from temporary differences in the amount of KEUR 1,031 and deferred tax liabilities on consolidation transactions of KEUR -92.

In financial year 2021, deferred tax assets pursuant to IAS 19 revised (2011) in the amount of KEUR 121 (PY: KEUR 347) and KEUR 0 (PY: KEUR 2) due to the valuation of securities were recognised directly in equity.

No deferred tax liabilities were determined for foreign dividends of KEUR 3,556 planned in 2022, as it is not expected that these will result in significant tax expenses.

The deferred tax assets and liabilities are attributable to the following:

	2021 Asset KEUR	2021 Liability KEUR	2020 Asset KEUR	2020 Liability KEUR
Non-current assets	1,565	2,446	1,661	2,366
Inventories	1,130	0	1,105	0
Other assets	126	277	238	118
Provisions	940	127	1,049	11
Other liabilities	343	341	448	364
IAS 19 revised (2011)	2,661	3	2,763	3
Tax loss carryforwards	1,142	0	1,264	0
Set-off of tax	-1,427	-1,427	-1,202	-1,202
Total	6,480	1,767	7,326	1,660

In Germany, as in the previous year, corporations are subject to corporation tax at a rate of 15% of taxable income and a solidarity surcharge of 5.5% of corporation tax. Additionally, each entity is subject to trade tax. This tax differs from region to region and, in 2021, ranged between 12.95% and 16.45% of taxable income for the AMANN GROUP entities. Tax rates for the international entities of AMANN GROUP range between 9% and 27.82%. The tax rate for Amann & Söhne GmbH & Co. KG, Bönningheim, is 14.05% (PY: 14.07%), as this company is a commercial partnership, and as such is only subject to trade tax. The average multiplier was taken into account in calculating the tax rate for Amann & Söhne GmbH & Co. KG, Bönningheim.

Reconciliation of this tax rate to the income tax expense in the income statement:

	2021 KEUR	2020 KEUR
Profit before tax	11,487	692
Tax expense at Amann & Söhne GmbH & Co. KG's tax rate of 14.07% (PY: 14.15%)	1,614	97
Effect of tax rates in foreign jurisdictions	1,125	1,021
Effect of change in allowance for deferred taxes	269	59
Deviation due to permanent differences (non-deductible business expenses)	587	581
Deviation due to permanent differences (tax-exempt income)	-647	-293
Effects of tax rate changes	25	284
Tax expense for previous years	55	-130
Tax incentives	-9	-4
Other deviations	-19	-1,223
Tax expense as presented in the income statement	3,000	392

Subject to tax audits carried out by local tax authorities, AMANN GROUP's tax loss carryforwards totalled approximately EUR 14 million as at the reporting date (PY: EUR 14 million).

The deferred tax assets recognised for tax loss carryforwards refer to future taxable profits based on forecasts for subsequent years.

The share of tax loss carryforwards for which no deferred tax assets are recognised is KEUR 7,797 (PY: KEUR 6,145). These impaired loss carryforwards can be carried forward indefinitely.

The following table shows the income tax attributable to the individual components of other comprehensive income:

	2021			2020		
	Other comprehensive income before tax	Tax expense (-) / income (+)	Other comprehensive income, net of tax	Other comprehensive income before tax	Tax expense (-) / income (+)	Other comprehensive income, net of tax
Unrealised gains on foreign currency translation	6,677	0	6,677	-4,884	0	-4,884
Reclassification of unrealised gains on foreign currency translation to profit or loss	0	0	0	-175	-74	-249
Unrealised gains on revaluation reserves	2	0	2	-8	2	-6
Pursuant to IAS 19 revised (2011)	1,780	-121	1,659	-1,859	347	-1,512
from equity-accounted investees	418	0	418	-158	0	-158
Total	8,877	-121	8,756	-7,083	274	-6,809

4. Notes to the statement of financial position

4.1. Non-current assets

The composition and movements in fixed assets as at 31 December 2021 and in the prior year are presented in **Appendices 1/2 and 2/2 to the notes to the consolidated financial statements**.

Concessions, industrial property and similar rights, software amounted to KEUR 1,746 as at 31 December 2021 (PY: KEUR 2,349).

Goodwill breaks down as follows:

	Cost 1 Jan. 2021	Accumulated impairment losses 2021	Accumulated foreign exchange effects on cost until 2021	Carrying amount 31 Dec. 2021
Oxley goodwill	2,886	0	205	3,091
Cousin goodwill	1,470	-1,470	0	0
Amann Bangladesh goodwill	12	0	0	12
Total	4,368	-1,470	205	3,103

Due to the acquisition of Amann Oxley Threads Ltd., Manchester, goodwill of GBP 2,596 thousand (KEUR 3,445) was recognised in 2008. The recoverable amount was determined based on value in use. On the basis of corporate planning, an annual revenue growth rate of approximately 5% is assumed for the cash-generating unit Amann UK in 2022, with only minimal increases in revenue in subsequent years. In applying the DCF method with a risk-free rate of 1.0% and a risk premium of 7.5% * 0.95 (beta coefficient), the present value of estimated future cash flows for this cash-generating unit is about EUR 13 million. Cash flows were projected over a period of three years. Corporate planning reflects past experience, taking into account revenue and cost development factors as well as the trend in the income tax rate. The beta coefficient was determined based on comparable listed companies. An impairment loss did not need to be recognised as at 31 December 2021.

In addition, the "France" division was acquired from Cousin Filterie S. A. S., France, in 2006 for a price of KEUR 1,407, and has since been used by Amann France SARL, La Chapelle d'Armentières. Goodwill is stated at cost and has been fully written down (impairment loss) in the meantime.

Initial consolidation of Amann Bangladesh Ltd., Dhaka, as at 1 January 2019 resulted in goodwill of KEUR 12 from offsetting the fair value against the previous carrying amount.

In the reporting year, own work capitalised was recognised in the amount of KEUR 905 (PY: KEUR 296) for intangible assets under development for the introduction of SAP S4 HANA (KEUR 905).

Other non-current assets of KEUR 560 (PY: KEUR 526) mainly refer to import and rent deposits as well as non-current prepayments.

4.2. Inventories

Inventories break down as follows as at the reporting date:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Raw materials and consumables, gross	28,950	22,817
Write-down	-422	-505
Raw materials and consumables	28,528	22,312
Work in progress, gross	9,322	8,130
Write-down	-607	-771
Work in progress	8,715	7,359
Finished goods, gross	27,481	21,806
Write-down	-2,383	-2,135
Finished goods	25,098	19,671
Inventories	62,341	49,342

In 2021, reversals of write-downs in conjunction with the sale of inventories amounting to KEUR 588 (PY: KEUR 332) were recognised as a reduction in expenses. This was offset by write-downs in the amount of KEUR 589 recognised as an increase in expenses in 2021.

Apart from customary retentions of title, no inventories have been pledged as security at the AMANN GROUP.

4.3. Trade receivables

Non-current receivables break down as follows as at the reporting date:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Receivables from third parties before specific impairment loss allowances	40,702	35,371
Specific impairment loss allowances	-456	-690
Receivables from third parties	40,246	34,681

Trade receivables have a remaining term of less than one year.

Specific impairment loss allowances on trade receivables developed as follows:

	2021 KEUR	2020 KEUR
Individual impairment loss allowances at the beginning of the financial year	690	805
Additions made	143	172
Derecognised	-249	-196
Reversed	-128	-91
Specific impairment loss allowances at the end of the financial year	456	690

The extent of credit risk associated with trade receivables from third parties is shown in the following table:

	31 Dec. 2021 Receivables, gross in KEUR	31 Dec. 2020 Receivables, gross in KEUR
Current (not past due)	36,756	31,912
1 to 30 days past due	2,473	2,009
31 to 60 days past due	608	376
61 to 90 days past due	239	107
91 to 180 days past due	173	116
181 to 360 days past due	54	167
More than 361 days past due	399	684
Receivables from third parties before specific impairment loss allowances	40,702	35,371

As at 31 December 2021, the carrying amounts of overdue receivables amounted to KEUR 3,946 (PY: KEUR 13,459); the specific impairment loss allowances amount to approximately 12% (PY: 20%) of overdue receivables.

4.4. Securities

The securities are shares at a value of KEUR 104 (PY: KEUR 101) held by the group parent, classified as 'at fair value through other comprehensive income' pursuant to IFRS 9 *Financial Instruments*. Unrealised losses from changes in fair value, net of deferred tax, totalled KEUR 31 on an accumulated basis as at the reporting date (PY: KEUR 33) and were recognised directly in equity.

4.5. Cash and cash equivalents

Cash and cash equivalents are composed as follows as at the reporting date:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Cash in hand	17	28
Cash at bank	16,034	24,652
Cash and cash equivalents	16,051	24,680

4.6. Other current assets

Other current assets amounting to KEUR 4,785 (PY: KEUR 3,447) also include prepayments in the amount of KEUR 2,516 (PY: KEUR 1,765). This statement of financial position item also includes prepayments in the amount of KEUR 790 (PY: KEUR 705), customers with credit balances of KEUR 132 (PY: KEUR 218), as well as receivables from leave and flexitime entitlements of KEUR 23 (PY: KEUR 19) measured using the average hourly rates of employees including social costs.

4.7. Tax receivables

Tax receivables amounted to KEUR 3,431 as at the reporting date (PY: KEUR 2,017) and include income tax receivables from 2020 and 2021 as well as other tax receivables.

4.8. Consolidated equity

Please refer to **Appendix 1.3** for more information on the movements in equity. Equity and total assets break down as follows:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Share capital	7,800	7,800
Reserves	12,738	12,738
Retained earnings	46,168	33,476
Non-controlling interests	5,766	4,248
Equity	72,472	58,262
<i>as a percentage of total assets</i>	<i>30.1%</i>	<i>25.9%</i>
Non-current liabilities	65,977	77,083
Current liabilities	102,046	89,783
Loans and borrowings	168,023	166,866
<i>as a percentage of total assets</i>	<i>69.9%</i>	<i>74.1%</i>
Total equity	240,495	225,128

As at the reporting date, the share capital of Amann & Söhne GmbH & Co. KG, Bönningheim, was held by Verwaltungsgesellschaft Amann & Söhne mbH, Bönningheim (43.0%; PY: 43.0%), Ms Katja Pielenz (37.0%; PY: 37.0%), and Ms Maxi Klemm (20.0%; PY: 20.0%).

The general partner without any capital contribution is Amann Beteiligungen GmbH, Bönningheim. The limited liability capital is shown at nominal value.

As at the reporting date, the equity ratio was 30.1% (PY: 25.9%).

As the group parent company, Amann & Söhne GmbH & Co. KG, Bönningheim, is organised as a commercial partnership in which the partner can oblige the company to repay the value of the capital shares by exercising a statutory right of termination that cannot be excluded by the partnership agreement. The termination of limited partners leads to their retirement from the company. Retiring partners are entitled to their limited liability capital and their private accounts held according to the partnership agreement, both at their carrying amount. In the event of termination of a partner, any entitlement to compensation is financed either by borrowing or the appointment of a new partner.

The reserves are stated at nominal value and, according to the partnership agreement, are held by Amann & Söhne GmbH & Co. KG, Bönningheim.

The retained earnings comprise the profits generated in prior years and the consolidation effects of Amann & Söhne GmbH & Co. KG, Bönningheim, and the consolidated subsidiaries.

The increase in retained earnings of KEUR 12,692 compared to the prior year is due to the allocation of annual profit of KEUR 4,281 (PY: KEUR -5,907) and the increase in foreign currency translation reserves of KEUR 6,750 (PY: decrease of KEUR -4,911) as well as increase in revaluation reserves of KEUR 1,661 (PY: KEUR -1,518).

4.9. Provisions

Movements in provisions were as follows:

	Balance at 1 Jan. 2021	Foreign exchange effects	Provisions used	Provisions reversed	Provisions made	Balance at 31 Dec. 2021
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Provisions for employee benefits and similar obligations	46,096	213	-3,398	-136	1,558	44,333
Other non-current provisions	1,532	42	-87	-19	188	1,656
Provisions for structural measures	2,267	0	-2,016	0	0	251
Other current provisions	5,232	146	-4,284	-450	6,665	7,309
Provisions	55,127	400	-9,785	-604	8,411	53,549

Provisions for employee benefits and similar obligations:

Post-employment benefits resulting from general retirement benefit obligations and individual commitments relate to Amann & Söhne GmbH & Co. KG, Bönningheim and AMANN Handel GmbH, Bönningheim. Furthermore, there are mainly retirement benefit obligations abroad at Amann Threads UK Ltd., Manchester.

Most of the post-employment benefits are based on the general retirement benefit obligations of Amann & Söhne GmbH & Co. KG, Bönningheim. The pension scheme was closed on 31 December 1993. The pension scheme provides for payments of retirement, disability, widow's, widower's and orphan's pensions. The prerequisite is an eligible period of service of ten years; employees are entitled to post-employment benefits in principle upon retirement after reaching the age of 65. The widow's and widower's pensions amount to between 40% and 60% of the retirement or disability pension of the deceased. In addition to the general pension schemes, there also are individual commitments to employees. In November 2007, it was agreed that the retirement benefit obligations of Amann & Söhne GmbH & Co. KG, Bönningheim, will be raised by 1% on 1 July of each year.

Provisions for employee benefits (excluding the Amann pension plan, Amann Deferred Compensation Programme and the benefits fund [Unterstützungskasse]) developed as follows:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Present value of the defined benefit obligation	44,876	45,949
Fair value of plan assets/insurance	-6,722	-5,579
Provisions for employee benefits (defined benefit liability)	38,154	40,370

Pursuant to IAS 19 revised (2011), actuarial gains and losses must be recognised directly in equity as incurred.

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Net liability at beginning of the year	45,949	45,835
Net expense recognised in profit or loss	2,090	1,083
Post-employment benefits paid	-2,289	-2,218
Remeasurement component	-1,473	1,694
<i>from financial adjustments</i>	-1,185	1,790
<i>from experience adjustments</i>	114	-34
Foreign currency translation differences	598	-445
Defined benefit obligation	44,876	45,949

The following amounts were recognised in the consolidated statement of income:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Current service cost	538	506
Past service cost	755	68
Interest cost	387	501
Expected income from plan assets	-62	-97
Other	471	105
Total expense (+) for defined benefit obligations	2,090	1,083

The defined benefit obligations are broken down by entitled employees as follows:

	31 Dec. 2021 KEUR
Entitled employees currently employed	10,811
Former entitled employees	5,502
Retired employees	28,562
Defined benefit obligation	44,876

Movements in the fair value of plan assets:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Plan assets at the beginning of the year	5,579	5,441
Expected income from plan assets	81	97
Actuarial gains/losses	391	63
Contributions paid by employer	663	497
Benefits paid	-352	-251
Currency differences	359	-268
Plan assets at the end of the year	6,722	5,579

The valuations of the companies' obligations are based on the following assumptions:

	Germany		United Kingdom	
	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Discount rate	0.88%	0.76%	1.80%	1.20%
Wage and salary increases	0.00%	0.00%	0.00%	0.00%
General pension adjustments	1.00%-1.50%	1.00%-1.50%	3.45%	3.35%
Average staff turnover	-0.50%	0.50%	0.00%	0.00%

The plan assets for the retirement benefit obligations of Amann Threads UK Ltd., Manchester, are invested in insurance policies of AEGON UK Group. The expected return on plan assets is derived from the portfolio structure of the plan assets in conjunction with available investments. The fair value of plan assets breaks down as follows at Amann Threads UK Ltd., Manchester:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Equities/property	3,073	2,372
Gifts and bonds	2,580	2,223
Cash	120	276
Total	5,773	4,871

The plan assets for the defined benefit obligations of Amann & Söhne GmbH & Co. KG, Bönningheim, are invested in insurance policies of HDI Lebensversicherung AG and R+V Lebensversicherung AG.

There are no asset-liability strategies.

The sensitivity of the total defined benefit obligation to changes in the weighted principal assumptions is as follows:

	31 Dec. 2021 KEUR	
Sensitivity measure	+1.00 %	-1.00 %
Discount rate	-5,267	6,548
Sensitivity measure	+0.50 %	-0.50 %
General pension adjustments	2,189	-

In Germany, the duration ranges between 11.5 and 13.3 years and in the United Kingdom it is 14.0 years.

Outflows for benefit payments of approx. EUR 2.4 million are expected for 2021. In addition, outflows for plan contributions of KEUR 674 are expected in 2021.

In 2016, AMANN GROUP introduced another company pension scheme at the German entities (**Amann Zukunftsvorsorge**), allowing employees to transfer some of their salary into a savings plan. An interest rate of 0.88% was used for discounting the Amann pension plan. Expected future pension increases and fluctuation were taken into account.

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Net liability at beginning of the year	5,300	4,153
Current service cost	331	409
Interest cost	40	41
Actuarial gains/losses	-349	168
Plan contributions paid by employer	549	544
Post-employment benefits paid	-107	-16
Defined benefit obligation	5,763	5,299

The defined benefit obligations of KEUR 5,763 are broken down by entitled employees as follows:

	31 Dec. 2021 KEUR
Entitled employees currently employed	4,964
Former entitled employees	799
Defined benefit obligation	5,763

The following sensitivity analysis shows how the present value of the defined benefit obligation would change in the event of a possible change in the discount rate.

	31 Dec. 2021 KEUR	
Sensitivity measure	1.00%	-1.00%
Discount rate	-861	1,111

Since 2018, an actuarial report has been commissioned by Amann & Söhne GmbH & Co. KG, Bönningheim, for the **Amann Deferred Compensation Programme**. This programme provides employees with the option of paying their bonus into a pension insurance policy. An interest rate of 0.88% was used for discounting.

The provisions for the Amann Deferred Compensation Programme break down as follows:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Present value of the defined benefit obligation	929	924
Fair value of plan assets/insurance	-690	-686
Provisions for employee benefits (defined benefit liability)	239	238

Movements in the defined benefit obligation:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Net liability at beginning of the year	924	918
Net expense recognised in profit or loss	7	9
Post-employment benefits paid	0	-16
Actuarial gains/losses	-2	13
Defined benefit obligation	929	924

The reinsurance policies for pension commitments must be considered qualifying insurance policies within the meaning of IAS 19.8.

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Plan assets at the beginning of the year	686	672
Expected income from plan assets	5	6
Actuarial gains/losses	-1	8
Plan assets at the end of the year	690	686

The defined benefit obligations are broken down by entitled employees as follows:

	31 Dec. 2021 KEUR
Entitled employees currently employed	193
Former entitled employees	736
Defined benefit obligation	929

Plan assets are broken down by entitled employees as follows:

	31 Dec. 2021 KEUR
Entitled employees currently employed	143
Former entitled employees	547
Plan assets at the end of the year	690

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is as follows:

	31 Dec. 2021 KEUR	
Sensitivity measure	1.00%	-1.00%
Discount rate	-41	44

Amann & Söhne GmbH & Co. KG, Bönningheim, has pension obligations based on a general pension arrangement for 95 employees (PY: 98 employees) that are reinsured via Gerling **Unterstützungskasse** für die gesamte Wirtschaft e.V. An interest rate of 0.88% was used for discounting.

The provisions from the Unterstützungskasse are composed as follows:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Present value of the defined benefit obligation	1,020	1,106
Fair value of plan assets/insurance	-842	-917
Provisions for employee benefits (defined benefit liability)	177	189

Movements in the defined benefit obligation:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Net liability at beginning of the year	1,106	1,163
Interest cost recognised in profit or loss	8	11
Actuarial gains (-)	-108	-115
Benefits paid	14	47
Defined benefit obligation	1,020	1,106

The reinsurance policies for pension commitments must be considered qualifying insurance policies within the meaning of IAS 19.8.

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Plan assets at the beginning of the year	917	961
Expected income from plan assets	6	9
Benefits paid	-89	-96
Actuarial gains	8	43
Plan assets at the end of the year	842	917

The defined benefit obligations are broken down by entitled employees as follows:

	31 Dec. 2021 KEUR
Former entitled employees	32
Retired employees	988
Defined benefit obligation	1,020

Plan assets are broken down by entitled employees as follows:

	31 Dec. 2021 KEUR
Former entitled employees	32
Retired employees	810
Plan assets at the end of the year	842

The following sensitivity analysis shows how the present value of the defined benefit obligation would change in the event of a possible change in the discount rate.

	31 Dec. 2021 KEUR	
Sensitivity measure	1.00%	-1.00%
Discount rate	-68	78

Other non-current provisions mainly comprise provisions for long-service benefits of German group entities. The measurement of provisions is based on actuarial reports. Provisions for long-service benefits are based on a discount rate of 0.88% (PY: 0.76%), with the interest portion of the allocations amounting to KEUR 5 (PY: KEUR 7).

Other current provisions include provisions for the following items:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Bonuses and discounts	1,757	1,872
Personnel expenses	3,863	822
Financial statements	396	268
Structural measures	251	2,267
Other	1,293	2,270
Other current provisions	7,560	7,499

The other current provisions amounting to KEUR 1,293 also include provisions for sales agents, legal fees and provisions for basic energy supply.

It is expected that the outflows for the other non-current provisions made for financial year 2021 will occur in financial year 2022.

The provisions for bonuses and discounts are estimated on the basis of past experience. The bonus payments generally depend on the sales volume of individual customers and agents and therefore typically include factors of uncertainty.

The provisions for personnel expenses mainly include variable remuneration to employees. This remuneration increased considerably in the reporting year due to the strong financial performance of the entities in 2021.

4.10. Non-current liabilities

Non-current loans and borrowings amount to KEUR 15,783 (PY: KEUR 25,101).

Land charges of EUR 12 million (PY: EUR 12 million) were registered as collateral for the bank loans on land owned by the Group. These non-current loans are valued at KEUR 11,720 as at 31 December 2021 (PY: KEUR 14,794).

Non-current lease liabilities amount to KEUR 2,426 (PY: KEUR 2,689).

4.11. Current liabilities

Current liabilities break down as follows as at the reporting date:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Current loans and borrowings	16,066	8,800
Trade payables	16,240	12,027
Liabilities to partners	51,077	49,544
Current lease liabilities	1,670	1,655
Income tax liabilities	1,944	4,098
Other current liabilities	7,488	6,160
Current liabilities	94,485	82,284

Of the current loans and borrowings of Amann & Söhne GmbH & Co. KG, Bönningheim, KEUR 8,667 relates to the current portion of non-current bank financing. They also include current loans and borrowings in the amount of KEUR 6,000 from money market loans. There also are current loans and borrowings of KEUR 1,399 at Amann Bangladesh Ltd., Dhaka.

The liabilities to partners are with Amann & Söhne GmbH & Co. KG, Bönningheim, in the form of the private partner accounts managed in accordance with the partner agreement.

The income tax liabilities include current income taxes for 2020 and 2021.

Current lease liabilities amount to KEUR 1,670 (PY: KEUR 1,655).

Other current liabilities also include other tax liabilities and social security contributions as well as leave and flexitime entitlements of employees in the amount of KEUR 1,335 (PY: KEUR 1,341). The measurement of leave and flexitime entitlements is based on the average hourly rates of employees including social costs.

The carrying amounts of liabilities correspond to their fair values.

5. Consolidated statement of cash flows

The consolidated statement of cash flows is presented in **Appendix 1.4**.

Pursuant to IAS 7 *Statement of Cash Flows*, the statement of cash flows is broken down into cash inflows and outflows from operating activities, investing activities and financing activities. Cash flows from operating activities are determined using the indirect method.

The composition of cash in the statement of cash flows is presented in the following table:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Cash in hand	17	28
Cash at bank	14,863	23,613
Cash and cash equivalents	14,880	23,641

Cash and cash equivalents according to the statement of financial position amount to KEUR 16,051, and cash and cash equivalents according to IAS 7 amount to KEUR 14,880. The difference results from short-term deposits with maturities of less than a year.

Other non-cash income of KEUR 274 (PY: KEUR -1,783) mainly consists of the measurement of equity-accounted investees in the amount of KEUR -417 (PY: KEUR -428), deferred tax income amounting to KEUR 1,082 (PY: KEUR -1,356) and waiver of the loan at AUS of KEUR -391 (PY: KEUR 0).

	12/2020	Cash flows	Non-cash effects				Changes in partner accounts	12/2021
			Interest expenses	IFRS 16	Foreign exchange effects	Other		
Loans and borrowings	33,901	-2,103	91	0	351	-391	0	31,849
Liabilities to partners	49,544	-1,991	0	0	0	0	3,524	51,077
Lease liabilities	4,344	-326	0	-116	194	0	0	4,096
Cash flows from financing activities	87,789	-4,420	91	-116	545	-391	3,524	87,022

6. Other information

6.1. Leases

The following reconciliations present the carrying amounts of the right-of-use assets for buildings and other equipment, furniture and fixtures and office equipment in applying IFRS 16:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Right-of-use assets at 1 January	4,163	5,339
Cost of additions	1,449	859
Cost of disposals	-933	-634
Depreciation relating to additions	-1,790	-1,917
Depreciation relating to disposals	845	570
Other changes/foreign exchange effects	174	-54
Right-of-use assets at 31 December	3,909	4,163

The right-of-use assets amounting to KEUR 3,909 (PY: KEUR 4,163) break down into buildings of KEUR 2,715 (PY: KEUR 3,065) and other equipment, furniture and fixtures and office equipment of KEUR 1,194 (PY: KEUR 1,098).

Furthermore, land use rights are presented under land and buildings in the statement of financial position. The carrying amount was KEUR 2,134 at the end of the financial year (PY: KEUR 1,987). Depreciation in the current year (including foreign currency translation differences of KEUR -3) amounts to KEUR 45 (PY: KEUR 45).

Changes in lease liabilities:

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Lease liability at 1 January	4,344	5,701
Additions	1,394	859
Repayment	-1,684	-1,925
<i>thereof lease payments</i>	-1,825	-2,108
<i>thereof interest portion</i>	141	183
Other changes/foreign exchange effects	43	-291
Lease liability at 31 December	4,097	4,344

Extension and termination options were taken into account in the measurement of leases, so that future cash outflows are not expected.

Changes in profit or loss of the right-of-use assets recognised according to IFRS 16 were as follows:

	31 Dec. 2021 KEUR
Depreciation of land use rights	47
Depreciation of land and buildings	1,077
Depreciation of other equipment, furniture and fixtures and office equipment	714
Interest on lease liabilities	141

In applying the recognition exemptions under IFRS 16.5, the expenses for current lease liabilities amount to KEUR 131 and the expenses for low-value assets amount to KEUR 15 in the current financial year. The total cash outflow for leases amounts to KEUR 1,835.

6.2. Additional information on financial instruments

This section gives a comprehensive overview of the importance of financial instruments for AMANN GROUP and provides additional information on items in the statement of financial position which include financial instruments.

The fair values of financial assets and financial liabilities correspond with their carrying amounts due to their predominantly short-term nature. The fair value of non-current liabilities is determined by discounting future cash flows payable.

Trade receivables are subject to a certain risk of default, which is covered by appropriate specific impairment allowances. For more information on risk management, see **Section 6.4 Risk management**.

Pursuant to IFRS 13.76, 13.81 and 13.86, financial assets and liabilities are to be classified as follows:

Level 1: There is an active market.

Level 2: An observable price is available either directly or indirectly.

Level 3: There are no observable inputs.

The following tables present the fair values and carrying amounts for the categories of financial instruments pursuant to IFRS 7 *Financial Instruments: Disclosures* shown under assets of the statement of financial position:

	Statement of financial position item	Measurement category pursuant to IFRS 9	Level	31 Dec. 2021		31 Dec. 2020	
				Carrying amount KEUR	Fair value KEUR	Carrying amount KEUR	Fair value KEUR
Cash and cash equivalents	B.II.3.	measured at amortised cost	1	16,051	16,051	24,680	24,680
Securities	B.II.2.	measured at fair value through other comprehensive income	1	104	104	101	101
Trade receivables	B.II.1.	measured at amortised cost	3	40,248	40,248	34,681	34,681
Other non-current financial assets	A.V.	measured at amortised cost	3	560	560	134	134
Other current financial assets	B.II.4.	measured at amortised cost	3	132	132	732	732
Forward exchange transactions	B.II.4.	measured at fair value through profit or loss	1	0	0	24	24
Financial assets				57,550	57,550	60,352	60,352

The following tables present the fair values and carrying amounts for the categories of financial instruments pursuant to IFRS 7 *Financial Instruments: Disclosures* shown under liabilities of the statement of financial position:

	Statement of financial position item	Measurement category pursuant to IFRS 9	Level	31 Dec. 2021		31 Dec. 2020	
				Carrying amount KEUR	Fair value KEUR	Carrying amount KEUR	Fair value KEUR
Trade payables	C.3.	measured at amortised cost	3	16,240	16,240	12,027	12,027
Financial liabilities	B.3. / C.2.	measured at amortised cost	1	31,849	31,849	33,901	33,901
Liabilities to partners	C.4.	measured at amortised cost	3	51,077	51,077	49,544	49,544
Lease liabilities	B.4. / C.5.	measured at amortised cost	3	4,096	4,096	4,344	4,344
Other non-current financial liabilities	B.5.	measured at amortised cost	3	12	12	5	5
Other current financial liabilities	C.7.	measured at amortised cost	3	2,274	2,274	1,499	1,499
Financial liabilities				105,548	105,548	101,320	101,320

The simplified approach is used for the recognition of impairment losses. It was assumed that the losses expected over the entire term of the receivables are sufficiently covered by the allowances for receivables recognised.

Other current assets amount to KEUR 4,785 (PY: KEUR 3,447), of which KEUR 132 (PY: KEUR 732) are categorised as financial assets. Other current liabilities in the amount of KEUR 7,488 (PY: KEUR 6,160) are categorised as financial liabilities in the amount of KEUR 2,274 (PY: KEUR 1,499).

Net income from financial instruments

The following table shows the net income from financial instruments pursuant to IFRS 7
Financial Instruments: Disclosures:

Measurement category pursuant to IFRS 9	Interest expense (-) / interest income (+)	Impairment loss (-) / reversal (+)	Foreign exchange losses (-) / foreign exchange gains (+)	Dividends received	Change in fair value (recognised directly in equity)	Net income from measurement categories pursuant to IFRS 9
Financial assets at amortised cost	105	-234	642	0	0	513
Financial assets at fair value through other comprehensive income	0	0	0	-5	-2	-7
Financial liabilities at amortised cost	-1,392	0	-564	0	0	-1,956

Net income was as follows in the prior year:

Measurement category pursuant to IFRS 9	Interest expense (-) / interest income (+)	Impairment loss (-) / reversal (+)	Foreign exchange losses (-) / foreign exchange gains (+)	Dividends received	Change in fair value (recognised directly in equity)	Net income from measurement categories pursuant to IFRS 9
Financial assets at amortised cost	143	115	485	0	0	743
Financial assets at fair value through other comprehensive income	0	0	0	-5	6	1
Financial assets at fair value through profit or loss	0	0	0	0	24	24
Financial liabilities at amortised cost	-1,461	0	1,388	0	0	-73

6.3. Financial derivatives

To mitigate foreign exchange risk, forward exchange contracts were concluded for incoming and outgoing payments in AUD, CAD, CHF, CZK and RON. Related purchase commitments amounted to RON 11 million as at the reporting date. The notional values and fair values were as follows:

Notional value	Negative fair value
KEUR 404	KEUR 0

Notional value	Positive fair value
KEUR 1,753	KEUR 88

The notional value corresponds to the sum of all purchase commitments arising from derivative financial instruments. Financial derivatives are measured by the issuing banks using well-established calculation methods (e.g. discounted cash flow method). The fair values of forward exchange contracts are determined on the basis of current market data. The forward exchange contracts mature within less than one year.

Forward exchange contracts are measured individually; positive fair values are not recognised in compliance with the lower of cost or market principle, and negative fair values are presented under financial liabilities.

6.4. Risk management

Please refer to the group management report for details on risk management.

Credit risk management:

AMANN GROUP does not carry a substantial credit risk due to the Group's financing structure. The Group only concludes transactions with creditworthy third parties. Important new clients are assessed for their creditworthiness before concluding transactions on a credit basis. Moreover, receivables portfolios are monitored on an ongoing basis, if necessary supported by credit ratings. In the course of a monthly review of the top 25 clients, client ratings are queried, checked and updated as necessary.

The maximum exposure to credit risk is limited to the total amount of gross trade receivables of KEUR 40,702 (PY: KEUR 35,371). As at the reporting date, a specific impairment allowance of KEUR 456 (PY: KEUR 690) was recognised for this receivables portfolio. The receivables for which a specific impairment allowance was recognised refer to receivables past due by more than 90 days. For details on the composition of the receivables portfolio by maturity see **Section 4.3 Trade receivables**.

For the AMANN GROUP's other financial assets, the maximum counterparty default risk is equivalent to the carrying amount of these instruments.

Currency risk management:

Certain transactions within the Group are denominated in foreign currency. It is therefore exposed to the risk of exchange rate fluctuations. Currency risks are monitored on a daily basis and controlled by means of forward foreign exchange contracts. In addition, there is permanent currency management to identify and quantify the currency risks of the AMANN GROUP. Quantitative risk measurement is carried out using volatilities and sensitivities as a value-at-risk approach. The loss potential indicates the amount that will not be exceeded with a probability of 95% for a holding period of 21 days.

A change in foreign exchange rates of +/- 10% as at the reporting date would have increased or decreased consolidated equity and consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The following sensitivity analysis analyses the opportunities and risks for the Group's most important currencies:

EUR / AUD	2021		2020	
	+10%	-10%	+10%	-10%
Sensitivity measure				
Base amount in KEUR (PDK as at 31 Dec.)	215.41	215.41	355.09	355.09
PDK exchange rate trend	1.7362	1.4206	1.8184	1.4878
PDK exchange rate as at 31 Dec.	1.5784	1.5784	1.6531	1.6531
Advantage/disadvantage PDK exchange rate compared to exchange rate trend in KEUR	-19.58	23.93	-32.28	39.45
Loss potential (VaR 21d/95%) in KEUR	9.86	9.86	18.03	18.03
VaR in % of "advantage"	-	41.19%	-	45.70%
Volatility	9.60%	9.60%	10.65%	10.65%

EUR / CNY	2021		2020	
	+10%	-10%	+10%	-10%
Sensitivity measure				
Base amount in KEUR (PDK as at 31 Dec.)	8,569.45	8,569.45	10,405.78	10,405.78
PDK exchange rate trend	8.4114	6.8820	8.6827	7.1041
PDK exchange rate as at 31 Dec.	7.6467	7.6467	7.8934	7.8934
Advantage/disadvantage PDK exchange rate compared to exchange rate trend in KEUR	-779.04	952.16	-945.98	1,156.20
Loss potential (VaR 21d/95%) in KEUR	361.17	361.17	384.49	384.49
VaR in % of "advantage"	-	37.93%	-	33.25%
Volatility	8.84%	8.84%	7.75%	7.75%

EUR / PLN	2021		2020	
	+10%	-10%	+10%	-10%
Sensitivity measure				
Base amount in KEUR (PDK as at 31 Dec.)	609.94	609.94	1,290.27	1,290.27
PDK exchange rate trend	5.0316	4.1168	4.8961	4.0059
PDK exchange rate as at 31 Dec.	4.5742	4.5742	4.4510	4.4510
Advantage/disadvantage PDK exchange rate compared to exchange rate trend in KEUR	-55.45	67.77	-117.30	143.36
Loss potential (VaR 21d/95%) in KEUR	25.91	25.91	44.97	44.97
VaR in % of "advantage"	-	38.23%	-	31.37%
Volatility	8.91%	8.91%	7.31%	7.31%

EUR / USD	2021		2020	
	+10%	-10%	+10%	-10%
Sensitivity measure				
Base amount in KEUR (PDK as at 31 Dec.)	5,300.03	5,300.03	8,678.49	8,678.49
PDK exchange rate trend	1.3034	1.0664	1.2594	1.0304
PDK exchange rate as at 31 Dec.	1.1849	1.1849	1.1449	1.1449
Advantage/disadvantage PDK exchange rate compared to exchange rate trend in KEUR	-481.82	588.89	-788.95	964.28
Loss potential (VaR 21d/95%) in KEUR	220.60	220.60	350.87	350.87
VaR in % of "advantage"	-	37.46%	-	36.39%
Volatility	8.73%	8.73%	8.48%	8.48%

Interest rate risk management:

The Group is exposed to interest rate risk, due to borrowing at fixed and floating rates. This risk is mitigated at AMANN GROUP by maintaining an appropriate ratio of fixed versus floating rate borrowing. Only the Group parent is exposed to interest rate risk associated with non-current and current loans and borrowings.

	31 Dec. 2021 KEUR	31 Dec. 2020 KEUR
Non-current loans and borrowings	15,783	25,101
Current loans and borrowings	16,066	8,800
Liabilities to partners	51,077	49,544

Interest on current and non-current loans and borrowings amounted to KEUR 628 in 2021 (PY: KEUR 694). If the financing structure had remained unchanged, an increase or decrease in interest rate of 1 percentage point would have resulted in approximately EUR 0.3 million higher or lower profit before tax (PY: EUR 0.3 million).

An increase or decrease in the interest rate on liabilities to partners of 1 percentage point would have resulted in approximately EUR 0.5 million higher or lower profit before tax (PY: EUR 0.5 million).

The following table shows the contractually agreed fixed payments for redemptions, repayments and interest from recognised financial liabilities (liquidity risk) as at 31 December 2021. The following undiscounted cash outflows are based on the terms prevailing as at 31 December 2021.

	2021				
	Total KEUR	less than 3 months KEUR	3 to 12 months KEUR	1 - 5 years KEUR	more than 5 years KEUR
Trade payables	16,240	16,240	0	0	0
Loans and borrowings	34,564	8,685	7,928	12,537	5,414
Lease liabilities	4,470	496	1,398	2,556	20
Liabilities to partners	56,578	138	413	2,200	53,827
Other financial liabilities	2,274	2,274	0	0	0
Total	114,126	27,833	9,739	17,293	59,261

In the prior year, the contractually agreed fixed payments for redemptions, repayments and interest from recognised financial liabilities were as follows:

	2020				
	Total KEUR	less than 3 months KEUR	3 to 12 months KEUR	1 to 5 years KEUR	more than 5 years KEUR
Trade payables	12,027	11,974	53	0	0
Loans and borrowings	37,966	2,642	6,901	20,380	8,043
Lease liabilities	4,946	480	1,486	2,140	840
Liabilities to partners	54,154	115	346	1,844	51,849
Other financial liabilities	1,499	1,499	0	0	0
Total	110,592	16,710	8,786	24,364	60,732

Liabilities to partners are recognised under current liabilities in the statement of financial position. Despite the holders' right to terminate at any time, an outflow of funds is not likely from an economic point of view.

AMANN GROUP's liquidity is managed by a central Cash Management division. Financial markets are continuously monitored with the aim of ensuring financial flexibility and limiting refinancing risks. Sufficient cash and cash equivalents are available. AMANN GROUP had unutilised credit lines of KEUR 42,858 with banks as at the reporting date (PY: KEUR 47,134).

6.5. Events after the reporting date

No other events of particular significance for the development and evaluation of the Group's position occurred in the past financial year or after the end of the financial year.

6.6. Government grants

In the reporting year, an environmental bonus for electric vehicles was awarded to AS in the amount of KEUR 9, a grant for energy costs was awarded to ARO in the amount of KEUR 48 (RON 234 thousand) and AUS's government loan was waived in the amount of KEUR 392 (USD 464 thousand).

6.7. Related-party transactions

The following amounts were owed to related parties as at the reporting date:

	2021 KEUR	2020 KEUR
Private account of limited partner Verwaltungsgesellschaft Amann & Söhne mbH	48,627	48,178
Partner account of general partner Amann Beteiligungen GmbH	38	36
Liabilities to related entities	48,665	48,214
Katja Pielenz	1,555	863
Maxi Klemm	857	467
Liabilities to related persons	2,412	1,330
Total liabilities to related parties	51,077	49,544

The accounts are managed in accordance with the partner agreement of Amann & Söhne GmbH & Co. KG, Bönningheim, and bear interest. In 2021, Amann & Söhne GmbH & Co. KG, Bönningheim, incurred interest on the above-mentioned liabilities of KEUR 493 (PY: EUR 462).

For the subsidiaries

- Amann Asia Ltd., Hong Kong
- AMANN SPAIN, S.L.U., Barcelona
- Amann France SARL, La Chapelle d'Armentières
- Amann Trading Shanghai Co. Ltd., Shanghai
- Amann Bangladesh Ltd., Dhaka

Amann & Söhne GmbH & Co. KG, Bönningheim, has issued letters of support, granting them financial resources so that they can meet their financial obligations at any time.

In the case of the subsidiary Amann Twisting (Yancheng) Co. Ltd., Yancheng, the parent company has undertaken with regard to four suppliers to guarantee their receivables from the subsidiary. As at the reporting date, there were liabilities of KEUR 241 to these suppliers.

In the case of the subsidiary Amann Sewing (Yancheng) Co. Ltd., Yancheng, the parent company has undertaken with regard to one supplier to guarantee its receivables from the subsidiary. There were no liabilities to this supplier as at the reporting date.

In the case of the subsidiary Amann Romania S.R.L., Brasov, the parent company has undertaken with regard to one supplier to guarantee its receivables from the subsidiary. There were no liabilities to this supplier as at the reporting date.

Management currently assesses the risk of a claim arising from contingent liabilities as not probable, as the subsidiaries are able to meet their obligations from operating activities independently.

AMANN

Amann & Söhne GmbH & Co. KG, Bönningheim, has an advisory board. The members of the advisory board are:

- Katja Pielenz, entrepreneur
- Ivo Herzog, entrepreneur
- Alwin Epple, commercial clerk.

6.8. Appropriation of profit

The net income under commercial law of the parent company was credited to the partner accounts in accordance with the partner agreement.

The retained earnings of subsidiaries and effects of consolidation on earnings are allocated to retained earnings.

6.9. General partner (with unlimited liability)

The general partner of Amann & Söhne GmbH & Co. KG, Bönningheim, is Amann Beteiligungen GmbH, Bönningheim, with share capital of KEUR 25.

6.10. Disclosures on management

Only the general partner, Amann Beteiligungen GmbH, Bönningheim, is authorised and obliged to manage the parent company Amann & Söhne GmbH & Co. KG, Bönningheim. Amann Beteiligungen GmbH, Bönningheim, is represented by its managers:

- Bodo Thomas Bölzle, Reutlingen, business graduate [*Diplom-Kaufmann*], joint representation, Chairman of the Board
- Peter Morgalla, Brackenheim, graduate engineer [*Diplom-Ingenieur*], joint representation
- Wolfgang Martin Findeis, Altenriet, business graduate [*Diplom-Kaufmann*], joint representation

6.11. Audit and advisory fees

The group auditor's fee for audit services recognised as an expense was KEUR 162 (PY: KEUR 141).

6.12. Publication and release

The IFRS consolidated financial statements for the year ended 31 December 2021 of Amann & Söhne GmbH & Co. KG, Bönningheim, are published in the German Federal Gazette [*Bundesanzeiger*].

The financial statements of AMANN Handel GmbH, Bönningheim, are not published in accordance with Section 264 (3) HGB.

Management approved the consolidated financial statements on 29 March 2022.

7. Shareholdings

The shareholdings of Amann & Söhne GmbH & Co. KG, Bönningheim, consist of the following companies:

Company	Equity interest in %	Equity KEUR	Annual profit KEUR
Germany			
AMANN Handel GmbH, Bönningheim, Germany	100	2,695	89
Amann International GmbH, Bönningheim, Germany	100	67,111	4,090
Europe			
Amann s.r.o., Chribska, Czech Republic	100	5,402	519
Amann Sp.z.o.o, Lodz, Poland	100	587	104
Amann Nähgarne GmbH, Salzburg, Austria	99	250	62
Amann Italia S.R.L., Cinisello-Balsamo, Italy	100	1,490	243
Amann Slovakia s.r.o., Trenčin, Slovakia	100	387	85
Amann Portugal – Comércio de Linhas, Unipessoal, Lda., Oliveira do Douro, Portugal	100	689	87
Amann Romania S.R.L., Brasov, Romania	100	7,053	41
Amann Hungaria Varrófonál Forgalmazó Kft., Győr, Hungary	100	224	44
Amann Bulgaria EOOD, Sofia, Bulgaria	100	76	41
Amann France SARL, La Chapelle d'Armentières, France	100	1,036	351
AMANN SPAIN, S.L.U., Barcelona, Spain	100	2,095	181
Amann Oxley Holdings Ltd., Ashton-under-Lyne, United Kingdom	100	3,667	0
Amann Threads UK Ltd., Ashton-under-Lyne, United Kingdom	100	11,809	-2,558
Worldwide			
Amann Asia Ltd., Hong Kong	100	33,205	2,193
Amann USA LLC., Denver, CO, USA	100	1,501	-254
Pt. Amann Indonesia, Bogor, Indonesia	100	95	-157
Amann Trading Shanghai Co. Ltd., Shanghai, China	100	3,703	827
Amann Sewing Thread (Yancheng) Co. Ltd., Yancheng, China	100	18,456	1,352
Amann Twisting (Yancheng) Co. Ltd., Yancheng, China	100	15,408	359
Amann Bangladesh Ltd., Dhaka, Bangladesh	51	11,777	2,396
Amann (Vietnam) Co. Ltd., Ho Chi Minh City, Vietnam	100	3,709	542
Amann Sewing & Embroidery Threads Private Ltd., Chennai, India	100	2,819	264
Equity-accounted investees			
Thread International Company Limited, Hong Kong	49	4,725	1,047
Other companies			
Shanghai Hua Chang Spinning Mills Company Ltd., Shanghai, China (included in the equity-accounted value of Thread International Company Limited, Hong Kong)	27	6,589	-91
Shanghai New Hua Chang Spinning Mills Company Ltd., Shanghai, China (included in the equity-accounted value of Thread International Company Limited, Hong Kong)	27	10,034	1,641
AMANN Sewing Maroc SARL, Rabat, Morocco (deconsolidated as at 31 December 2018)	100	-382*	-255*

*Values taken from the separate financial statements as at 31 December 2018. The company is in the process of liquidation.

Bönningheim, 29 March 2022

Management

Bodo Th. Bölzle

Wolfgang Findeis

Peter Morgalla

Amann & Söhne GmbH & Co. KG, Bönnigheim

Movements in the Group's fixed assets pursuant to IFRS in financial year 2020

	Cost				Accumulated amortisation, depreciation and impairment losses				Carrying amount							
	1 Jan 2020		31 Dec. 2020		1 Jan 2020		31 Dec. 2020		31 Dec. 2020							
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR						
		Foreign exchange effects	Reclassification	Additions	Disposals		Reclassification	Additions	Disposals							
	Carried forward	Current				Carried forward	Current									
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR					
A. Non-current assets																
I. Intangible assets																
1. Concessions, industrial property and similar rights, software	12,071	-116	0	14	624	-34	12,559	-78	-7	0	1,003	-32	10,210	2,346	2,747	
2. Goodwill	4,536	-168	0	0	0	0	4,368	1,470	0	0	0	0	1,470	2,898	3,066	
3. Intangible assets under development	0	0	0	76	725	0	801	0	0	0	0	0	0	801	0	
	16,607	-284	0	90	1,349	34	17,728	10,794	-78	0	1,003	-32	11,680	6,048	5,813	
II. Property, plant and equipment																
1. Total land and buildings	72,183	-1,867	-12	1,180	589	-282	71,781	22,546	-355	-46	12	3,009	-247	24,919	46,872	49,637
2. Plant and machinery	95,087	-2,846	-76	2,625	1,304	-341	95,753	59,371	-1,244	-130	-12	5,490	-300	63,175	32,578	35,716
3. Total other equipment, furniture and fixtures and office equipment	28,636	-675	11	145	1,686	-1,716	28,087	18,869	-323	-20	0	3,022	-1,682	19,866	8,221	9,767
4. Assets under construction	6,141	-190	61	-4,040	1,079	-181	2,870	0	0	0	0	0	0	0	2,870	6,141
	202,047	-5,578	-16	90	4,658	-2,520	198,501	100,785	-1,922	-196	0	11,521	-2,229	107,960	90,541	101,261
III. Financial assets																
Equity-accounted investees	6,781	-169	10	0	-204	0	6,419	0	0	0	0	0	0	0	6,419	6,781
Financial assets	6,781	-169	10	0	-204	0	6,419	0	0	0	0	0	0	0	6,419	6,781
	225,435	-6,030	-6	0	5,803	-2,554	222,648	111,580	-2,000	-203	0	12,524	-2,261	119,640	103,008	113,655

Amann & Söhne GmbH & Co. KG, Bönningheim

Group management report for the 2021 financial year

Company profile

Company's business model

The AMANN GROUP manufactures and sells sewing cotton and machine embroidery thread mainly for industrial applications worldwide. Its products are used predominantly in the textile industry (for ready-to-wear clothing, shoes and linen goods), the automotive industry and in the retail sector (consumer). The production plant in Germany is located in Augsburg. Additional production plants were located in the Czech Republic, Romania, the UK, China, Bangladesh and Vietnam in the 2021 reporting year.

More than 20 subsidiaries and distribution partners in over 50 countries guarantee fast on-site service and global support to our clients.

Research and development

The research and development department in Germany currently employs 16 people (PY: 11). This division focuses on establishing and ensuring quality standards, defining production processes, and designing new concepts for developing and optimising sewing cottons and embroidery threads. In addition, the department collaborates closely with relevant national and international research institutions, universities and technical colleges. R&D costs amounting to EUR 1.1 million were incurred in the reporting year (PY: EUR 0.8 million).

Economic report

Business performance and industry environment

In 2021, overall economic development in Germany, in our European main sales markets as well as worldwide was dominated by further recovery from the economic effects of the COVID-19 pandemic. GDP in the world's economies was able to grow once more following the turnaround evident in autumn 2020. This was apparent in practically all countries during the course of the year. Therefore, GDP growth is expected for the full-year 2021: 2.8% in Germany, 5.2% in the eurozone and even 5.8% for the global economy (source: LBBW Research February 2022, 17 February, 2022).

Global rise in revenue of 14.6% was reported in 2021. This positive development breaks down as follows: 7.8% in the EU countries, 13.5% in America, 21.7% in Africa and 25.6% in Asia. The most significant drops in revenue were reported by Germany, Poland, Australia and the Czech Republic. By contrast, China, Bangladesh, Vietnam and other countries reported positive revenue performance.

The AMANN GROUP was able to exceed its revenue targets in the course of the year.

The strategic focus of sales activities shifted further in the direction of the growth markets in Asia. The apparel & specialty business unit's revenue rose by 19.9%. The automotive sector was also able to report revenue growth of 12.5% in the year under review. Only the consumer business unit was unable to continue on with prior year's favourable developments; accordingly, its revenue sank by -23.0%.

Financial performance

The management of AMANN GROUP uses the metrics revenue as well as earnings before tax (EBT) to manage the Company.

The Group's sales volume increased by 17.7% in the 2021 reporting year. Revenue rose by EUR 25.8 million (14.6%) to approx. EUR 202.1 million.

Revenue breaks down for the individual business units as follows: apparel & specialty: EUR 142.8 million (PY: EUR 119.1 million), automotive: EUR 48.1 million (PY: EUR 42.7 million) and consumer: EUR 11.2 million (PY: EUR 14.6 million).

The cost of sales rose by EUR 19.9 million (16.74%). The disproportionately high increase in costs of sales as compared to the development of revenue yielded a gross profit of EUR 63.4 million, which corresponds to 31.4% of revenue (PY: EUR 57.5 million, 32.6% of revenue). The rise in the cost of sales, which was disproportionately higher than the increase in revenue, was especially driven by higher prices for raw materials and freight.

The cost of materials ratio (costs of materials with third parties/revenue with third parties) rose year on year by 0.5 percentage points to 38.3%. The freight cost ratio (freight costs with third parties/revenue with third parties) rose year on year by 1.6 percentage points to 5.4%.

The costs of general administration rose by EUR 2.5 million over the prior year to EUR 29.6 million. This increase was mainly due to a rise in personnel expenses. At EUR 25.3 million, selling and distribution expenses remained on par with the prior year. Other operating income and expenses amounting to EUR 2.6 million rose by EUR 1.3 million over the prior year (PY: EUR 0.6 million increase). This increase was due to the capitalisation of own work for the SAP S4 HANA project at Amann & Söhne GmbH & Co. KG, Bönningheim, in the amount of EUR 0.9 million and forgiveness of the loan at Amann USA LLC., Denver, Colorado, amounting to EUR 0.4 million.

EBIT rose overall by EUR 7.9 million to EUR 11.3 million. This increase was driven mainly by a year-on-year rise in revenue. Prior year's EBIT was adversely affected by expenses from restructuring amounting to EUR -3.2 million, which were no longer applicable in 2021.

Finance income of EUR 0.2 million was up over prior year's figure of EUR -2.6 million. This was especially due to positive foreign exchange gains of EUR 1.4 million (PY: EUR -1.2 million) and steady earnings from equity-accounted investees of EUR 0.4 million (PY: EUR 0.4 million).

Net interest income improved by EUR +0.1 million to EUR -1.7 million.

Driven by the aforementioned effects, earnings before tax (EBT) rose from EUR 0.7 million to EUR 11.5 million. The earnings generated in the reporting year exceeded budget and, in consideration of the general economic conditions, are very satisfactory.

The income tax expense rose to EUR -3.0 million (PY: EUR -0.4 million). It consists of the expense for local income taxes of EUR -2.1 million (PY: EUR -1.5 million) and the expense from deferred taxes of EUR -0.9 million (PY: EUR 1.1 million). The year-on-year increase in local income taxes was attributable to the rise in earnings before tax. The rise in the deferred tax expense was attributable primarily to Amann & Söhne GmbH & Co. KG, Bönningheim, in the amount of EUR -2.0 million, which was largely due to the non-recurring item in 2020 from the sale of limited partners' shares and EUR -0.5 million in foreign currency translations not recognised for tax purposes. Furthermore, writing down the loss carried forward of Amann USA LLC., Denver, Colorado, led to an additional expense of EUR 0.3 million.

The AMANN GROUP reported earnings before tax (consolidated profit) of approx. EUR 8.5 million in 2021 (PY: EUR 0.3 million), of which EUR 1.2 million was attributable to non-controlling interests. Other earnings after tax amounted to EUR 8.8 million, which was primarily the result of unrealised gains from foreign currency translation in the amount of EUR 6.7 million. The earnings after tax (group profit) and the other comprehensive income yielded a total comprehensive income of EUR 17.2 million. The expectations for 2021 were exceeded.

Assets, liabilities and financial position

At EUR 113.5 million, non-current assets accounted for 47.2% (PY: 49.2%) of the balance sheet total. Non-current assets rose by EUR 2.7 million in absolute terms.

The change was largely the result of the EUR 3.2 million increase in intangible assets under development. This was contrasted by a decrease in licenses, industrial property and similar rights and software by EUR -0.6 million. As a sub-item of property, plant and equipment,

technical equipment and machinery rose by EUR 2.0 million, whereas advance payments and construction in progress declined by EUR -0.9 million, operating and office equipment by EUR -0.3 million, buildings by EUR -0.3 million and low-value assets by EUR -0.2 million. Amortisation, depreciation and write-downs were EUR 0.4 million higher than the investments made in the reporting year. Deferred tax assets decreased by EUR -0.8 million. Other non-current assets remained virtually unchanged.

Inventories increased by EUR 13.0 million to EUR 62.3 million. This increase was due both to a quantitative rise in sales volume in order to ensure days' sales in inventory as well as an increase in value due to higher procurement prices for raw materials and incidental expenses, such as for freight. Trade receivables increased by EUR 5.6 million. This increase was largely attributable to Amann Bangladesh Ltd., Dhaka, in the amount of EUR 2.3 million and Amann Trading Shanghai Co. Ltd., Shanghai, in the amount of EUR 1.6 million in conjunction with the rise in revenue. The balance of cash and cash equivalents, including securities, declined by EUR -8.6 million to EUR 16.2 million in 2021, among others due to investments in the SAP S4 HANA project amounting to EUR -3.2 million and withdrawals by shareholders totalling EUR -2.0 million. Other current assets rose by EUR 1.3 million to EUR 4.8 million in the reporting year. The increase was attributable to the rise in advance payments on trade receivables, which rose in conjunction with revenue.

Please refer to **Appendix 1.3** for more information on the movements in equity. At EUR 72.5 million (PY: EUR 58.3 million), equity accounted for 30.1% (PY: 25.9%) of the balance sheet total as at the reporting date. Equity increased due to the group profit of EUR 8.5 million and the positive currency translation effect of EUR 6.8 million.

Provisions for pensions and similar obligations decreased by EUR -1.8 million in 2021. EUR -1.8 million was recognised directly in equity. The change is due to modifying the financial assumptions in the expert opinion.

Of the loans and borrowings of Amann & Söhne GmbH & Co. KG, Bönningheim, amounting to EUR 28.2 million as at the reporting date, EUR 22.2 million (PY: EUR 27.0 million) were long-term amortising loans. KfW (German Development Bank) approved a EUR 20.0 million loan for Amann & Söhne GmbH & Co. KG in 2020, of which EUR 12.0 million was drawn and EUR 8.0 million repaid in 2021. A payment in the amount of EUR 1.7 million was made on the KfW loan for the first time in 2021. The loan was valued at EUR 10.3 million as at the reporting date. There were current money market loans of EUR 6.0 million as at the reporting date (PY: EUR 0 million). Of the long-term amortising loans, EUR 3.2 million is due in the subsequent year. Moreover, there were non-current loans and borrowings of EUR 2.3 million and current loans and borrowings of EUR 1.4 million at Amann Bangladesh Ltd., Dhaka. Total loans and borrowings amounted to EUR 31.9 million (PY: EUR 33.9 million).

Liabilities due to income taxes amounted to EUR 1.9 million in 2021 (PY: EUR 4.1 million).

The AMANN GROUP's cash flow from operating activities amounted to EUR 5.7 million in the reporting year (PY: EUR 15.2 million) and decreased year on year by EUR -9.5 million. Net income for the year of EUR 8.5 million (PY: EUR 0.3 million) had a positive impact on cash flows from operating activities. Additional effects were felt by the following cash flow items (these disclosures do not relate to the change in the items in the statement of financial position,

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but rather to the year-on-year change). The rise in inventories of EUR 10.4 million, income tax payments of EUR -4.7 million and the increase in trade receivables of EUR -3.4 million adversely affected cash flows from operating activities. These were contrasted by the increase in trade payables at EUR 3.6 million, which had a positive impact on cash flow.

Cash flow from investing activities amounting to EUR -10.7 million (PY: EUR -4.7 million) was dominated by investment spending on property, plant and equipment of approx. EUR -7.8 million (PY: EUR -4.2 million) in Romania, China, Germany, the UK and the Czech Republic. Investments in intangible assets led to a EUR -3.6 million decrease in cash flows (PY: EUR -1.3 million). This cash outflow was mainly for investments in the SAP S4 HANA project.

Net cash from financing activities amounted to EUR -5.2 million (PY: EUR -5.6 million). A bank loan in the amount of EUR 5.4 million was redeemed in the reporting year. In addition, a new loan in the amount of EUR 3.3 million was raised. Furthermore, there was a EUR -2.0 million outflow of funds from the shareholder accounts.

The total of these cash flows resulted in a EUR -8.8 million decrease in cash and cash equivalents to EUR 14.9 million.

The AMANN GROUP's liquidity is ensured by Central Cash Management and was sufficiently guaranteed at all times in the year under review. As parent company, Amann & Söhne GmbH & Co. KG, Bönningheim, assumes the financing and treasury functions for the entire AMANN GROUP. The hedging of liquidity, currency and interest rates and investments of liquid funds is managed centrally for all subsidiaries. In the process, currency and interest rate hedges are only concluded for the purposes of minimising the risks from exchange rate and interest rate fluctuations.

The AMANN GROUP has credit facilities (including Amann Bangladesh Ltd., Dhaka) totalling EUR 54.1 million, of which EUR 11.2 million was drawn down as at the reporting date (PY: EUR 3.9 million).

Investments

Investments in intangible assets amounted EUR 3.6 million. These investments were largely attributable to the SAP S4 HANA project.

Capital expenditure on property, plant and equipment totalled EUR 7.8 million. Capital expenditures amounting to EUR 2.6 million were spent on acquiring new and replacing old technical facilities and machinery, EUR 2.2 million on construction in progress, EUR 2.0 million on other equipment, operating and office equipment and EUR 1.0 million on buildings.

Investment plans for 2022 primarily involve replacement and expansion investments amounting to EUR 12.1 million and investments of EUR 9.1 million in setting up production at the Indian location.

Overall economic report

Revenue and earnings before tax were up over the prior year and exceeded expectations. All in all, business performance was very satisfactory.

Employees

AMANN GROUP's average headcount increased by 14 to 2,217 (PY: 2,203). Average headcount increased at the subsidiaries in Vietnam, Romania and the UK. By contrast, average headcount decreased in Germany.

Environment and quality

Besides the annual surveillance audits for the established 9001:2015 (quality management) and 14001:2015 (environmental management) ISO Standards, recertification of the highest quality management standard in the automotive sector, the IATF 16949:2016 specification, was up in the reporting year for all locations producing automotive sewing and embroidery thread. Despite the continuing coronavirus-related travel and contact restrictions, all audits were successfully completed as planned as on-site audits in the period from March to June.

These involved the production sites at Amann & Söhne GmbH & Co. KG, Augsburg location, Amann Romania S.R.L., Brasov, Amann s.r.o., Chribska, Amann Vietnam Co. Ltd, Tam Ky, Amann Threads UK Ltd., Manchester, Amann Twisting (Yancheng) Co. Ltd. and Amann Sewing Threads (Yancheng) Co. Ltd., Yancheng as well as their remote locations at Amann & Söhne GmbH & Co. KG, Bönningheim, Erligheim and Augsburg. The 2021 group certification included the locations of Amann Bangladesh Ltd., Dkaka, and Amann Trading Shanghai Co. Ltd., Yancheng, without an own audit in 2021.

Besides the already existing and certified management systems, it was decided in the reporting year to supplement all automotive production sites with an environmental management system to support AMANN's sustainability strategy. For this purpose, the necessary development work and internal audits were carried out at the location of Amann Sewing Threads (Yancheng) Co. Ltd., Yancheng, in Q1 2021, and initial certification was successfully wrapped up in May 2021.

AMANN

The locations in Amann Romania S.R.L., Brasov, and Amann Threads UK Ltd., Manchester, will follow in 2022 and 2023, respectively.

In addition to these worldwide third-party audits of our certification partners for system, process and product certifications, a further 12 customer audits of reputable international customers from the automotive and apparel sectors were carried out at various production sites, all with positive results.

In order to further expand our established leadership in the sewing and embroidery segment to satisfy the ever-growing market demand for resource-saving products and closed textile material loops (production – use – recycling – reuse), the AMANN GROUP rigorously pursued the certification process (which was started in 2019 and expanded in 2020) for the "Global Recycled Standard (GRS)" and the "Cradle 2 Cradle" Standard at the locations in China, Bangladesh and Vietnam (for GRS) and China, Romania, the Czech Republic and Germany (for Cradle 2 Cradle) and, additionally in July 2021, rolled out the GRS Standard at the Romanian location.

In order to strategically support AMANN's activities with regard to the central issue of sustainability for the textile industry (resource preservation, environmental protection, energy and process efficiency), all measures were directly linked to the UN Sustainable Development Goals and presented transparently in the AMANN Sustainability Report for the third time in April 2021.

Forecast

Against the backdrop of potential improvement in the global economic conditions due to the COVID-19 crisis subsiding, the AMANN GROUP is targeting overall rising revenue in the double-digit percentage range for the 2022 reporting year in Germany and abroad, especially in the Asian markets. It is expected that costs will rise proportionally higher than the increase in revenue due to rising prices for raw materials, freight and energy. This price development with regard to freight and energy costs could be further exacerbated by the conflict in Ukraine.

Overall, AMANN GROUP expects satisfactory earnings before tax (EBT) of between EUR 11.5 million and EUR 12.5 million in 2022.

Due to the prognostic nature of our assumptions, the actual developments in 2022 may differ from the aforementioned expectations.

Risks and opportunities of future development

Risk management system

The aim of the risk management system is to recognise, assess and manage material risks in order to ensure the Group's ability to continue as a going concern. AMANN Group's risk management system includes compliance organisation, internal audit, management accounting, investment controlling as well as the internal and external control system. The Company and all material subsidiaries have an integrated IT system (SAP-R3). Group-wide monthly reporting provides comprehensive and current information on the assets, liabilities, financial position and financial performance and the economic situation of the AMANN GROUP. The implemented risk management system makes it possible to recognise risks which could threaten the Group's ability to continue as a going concern at an early stage. The presentation below shows the risks according to risk limitation.

Risks affecting the Company's continuation as a going concern

There are currently no evident risks that could jeopardise the Group's ability to continue as a going concern.

Risks and opportunities in the economic environment

According to the OECD, the global economy will presumably grow by 4.4% in 2022 over the prior year. This estimate was made prior to the Russian invasion, whose impact on global growth is still difficult to assess at this point in time.

During the course of 2021, the economy in both the eurozone and the EU continued to recover from the effects of the COVID-19 pandemic and the economic slump in 2020. The companies in these economies struggled in 2021 with overcoming the subsequent effects of the crisis. The lockdown measures were not the issue, as was the case in the prior year; rather, the problems were now with the global supply chains. This situation was exacerbated by capacity shortfalls and drastic cost increases in logistics and transport. Rising prices in nearly all sectors are currently driving up inflation rates around the world. Countries are countering this inflation in various intensities and tempos through their monetary policies. Following economic recovery in 2021, a further increase in GDP is expected during the course of 2022 (3.0% in Germany, 4.0% in the eurozone and 4.3% globally; source: LBBW Research February 2022, 17 February 2022). The expected inflationary trends in this regard are projected at 4.5% for Germany, 5.0% for the eurozone and 4.2% globally. The political crisis involving the Russia/Ukraine conflict currently represents a risk for future development. The Russian invasion of Ukraine has intensified the East-West conflict and, thus, the associated risks regarding energy supply and prices. Since it is unclear at the moment how the conflict will play out, forecasts with respect to these issues are currently very difficult.

Risks and opportunities regarding procurement

The procurement risks due to the global increases in prices for raw materials and consumables have become more prominent for 2022 as a result of the East-West conflict. The risk of further cost increases is considered to be high. The coronavirus pandemic is currently spreading rapidly in China once again. Extensive lockdown measures cannot be ruled out. Should this be the case, then supply shortages in the case of external and intra-group suppliers in China can be expected. The risk in this regard is currently considered to be high. Opportunities continue to be seen in procurement by pooling purchasing activities.

Performance risks and opportunities

An upward trend in costs, such as for personnel, is expected especially in the Asian and Eastern European producing countries. The AMANN GROUP considers this risk to be high. Furthermore, the energy sector remains a relevant cost factor on the global markets with additional tendencies towards rising costs. The drive behind this price upsurge is enormous. The shortage of global freight capacity means we expect freight costs to remain very high.

The AMANN GROUP's product and marketing strategy is geared towards maintaining the market position and expanding it as far as possible. Sharply rising prices for raw materials and energy are being taken into account by adjusting the selling prices.

The AMANN GROUP sees opportunities for its future development especially in the Asian markets, in the automotive sector and by expanding our business segments to include new apparel & specialty products. Considerable importance continues to be placed on expanding Global Account Management.

Currency risks and opportunities and the use of financial instruments

The volatility of the foreign exchange markets remains a general risk factor. The divergent monetary policies of the member states/ECB means volatility is likely to rise. The EUR/USD major currency pair led to the USD appreciating in the reporting year. The further development of this currency pair and, thus, the related development of the EUR/CNY is currently not being influenced only by the monetary policies of the central banks, but also by the risks triggered by Russia's war against Ukraine. These factors are weighing quite heavily on the EUR as compared to the USD. Changes in the exchange rates relevant for the AMANN GROUP could impact revenue and earnings. The procurement risks due to the global increases in prices for raw materials and consumables are still considered to be high for 2022 after rising in the reporting year.

Just like the volatilities on the foreign exchange markets pose risks, the changes in currency parities could lead to new opportunities such as rising revenue or foreign exchange gains. We use conservative hedging instruments to hedge currency risks.

Amann & Söhne GmbH & Co. KG, Bönningheim, actively manages the foreign currency risks resulting during the course of business. As at the reporting date, the Group hedged currency risks using forward foreign exchange contracts amounting to EUR 2.2 million (PY: EUR 0.8 million).

Other risks and opportunities

Our global business activities are carried out mainly by indirect investees held by Amann International GmbH. Trade relationships exist with affiliated domestic and foreign companies. The risks associated with these transactions are monitored by efficient group-wide investment and receivables management. The risks are considered to be low.

Overall assessment of risks and opportunities

From today's perspective, the aforementioned risks can be managed and do not pose a risk to the Group's ability to continue as a going concern. These are not, however, the only risks to which AMANN GROUP is exposed. Risks not yet recognised or that are deemed less significant at present, could also have a negative effect on AMANN GROUP. The aforementioned opportunities may also result in opposing effects to the risks.

Bönnigheim, 29 March 2022

Management

Bodo Th. Bölzle

Wolfgang Findeis

Peter Morgalla

Independent Auditor's Report

To Amann & Söhne GmbH & Co. KG, Bönningheim

Qualified Opinion on the Consolidated Financial Statements and Opinion on the Group Management Report

We have audited the consolidated financial statements of Amann & Söhne GmbH & Co. KG, Bönningheim, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2021 to 31 December 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Amann & Söhne GmbH & Co. KG for the financial year from 1 January 2021 to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements, with the exception of the matter described in the section "Basis for the Qualified Opinion on the Consolidated Financial Statements and for the Opinion on the Group Management Report", comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code]. In compliance with these requirements, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit, with the exception of the aforementioned qualified audit opinion on the consolidated financial statements, has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Qualified Opinion on the Consolidated Financial Statements and for the Opinion on the Group Management Report

Contrary to the requirements of IAS 24.17 and Section 314 (1) no. 6 HGB in conjunction with Section 315e (1) HGB, total remuneration of managing directors, former managing directors and members of the Advisory Board as well as pension provisions made for former managing directors and their surviving dependents is not disclosed in the notes to the consolidated financial statements.

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements and our opinion on the group management report.

Responsibilities of Management and the Advisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Advisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the ISAs will always detect a material misstatement. 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 consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 29 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Feller
Wirtschaftsprüfer
[German Public Auditor]

Ruhbaum
Wirtschaftsprüferin
[German Public Auditor]