Amcor Flexibles Winterbourne Limited

Annual Report
for the year ended 30 June 2019

Registered number 2456291

Contents

Directors, officers and advisers

Directors

Stephen Morton
Matthew Burrows
Damien Clayton

Registered office

Amcor Central Services Bristol
83 Tower Road North
Warmley, Bristol
BS30 8XP

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf,
Bristol,
BS2 0FR

Directors' report

The directors submit their report and audited financial statements of the Company for the year ended 30 June 2019.

General information

Amcor Flexibles Winterbourne Limited is a private Company limited by shares and incorporated in the United Kingdom. The address of the registered office is 83 Tower Road North, Warmley, Bristol, BS30 8XP.

The Company manufactures, sells and distributes specialised packaging, primarily for use in the medical sector.

Future developments and financial risk management

See details of future developments and financial risk management within the Strategic report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The profit for the financial year amounted to £3,751,000 (2018: *profit of* £4,275,000). The directors do not recommend the payment of a final dividend (2018: interim dividend £10,000,000) for the year.

Directors

The directors who served during the year and up to the date of this report were:

Christopher Brown (resigned 7 February 2019)
Michael Watts (resigned 28 September 2018)
Stephen Morton (appointed 15 November 2017)
Matthew Burrows (appointed 28 September 2018)
Damien Clayton (appointed 18 January 2019)

Research and development

Expenditure on research and development activities is incurred in order to formulate new products. In accordance with the accounting policy described in note 1 to the financial statements, all costs have been included in the Statement of Comprehensive Income for the year. Expenditure during the year amounted to £500,000 (2018: £514,000).

Staff information, consultation and involvement

The Company actively encourages the involvement of all its employees in the performance of the area of activity in which they are involved and aims to achieve a sense of shared commitment. The Company holds regular briefing sessions at which staff are encouraged to raise issues with the directors and senior managers.

Employment of disabled persons

It is the policy of the Company to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Subsequent events

The impact of Covid-19 has been discussed within the principal risks and uncertainties within the Strategic Report.

There have been no other significant events affecting the Company since the year end.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

Matthew Burrows
Director

83 Tower Road North
Warmley, Bristol
BS30 8XP

Registered number 2456291

18 June 2020

Strategic report

Review of business and future developments

	2019	2018
Key financial results	**£000**	£000
Turnover	**55,259**	56,207
Gross profit	**12,728**	14,615
Margin	**23.0%**	26.0%
Operating profit	**4,075**	4,507
Profit for the financial year	**3,751**	4,275
Key non-financial performance indicators	**Number**	Number
Number of employees	**181**	171
Number of workplace accidents requiring medical treatment		
- with no loss of production time	**1**	1
- with loss of production time	**0**	0

Safety is the first core value and there is no room for complacency. The Company managed to maintain the excellent safety statistics.

The year to 30 June 2019 saw top line sales reduce due to lower volumes. The gross margin % decreased due to increases in raw material prices. The financial position of the Company remains strong with net assets increasing by £3.7m.

As a member of the Amcor Group the Company has maintained a consistent strategy and business model. Investments are focussed on making packaging that is increasingly light weighted, recyclable and reusable, and made using a rising amount of recycled content.

The directors consider the results for the year to be satisfactory and the Company looks forward to the 2020 financial year with clear priorities, to keep co-workers safe, delivering quality products and offer value to customers, and execute effectively in areas under our control.

Principal risks and uncertainties

The Company manages the risks and uncertainties within the Amcor Group of Companies and can be impacted by numerous factors:

- Changes in customer demand patterns across various industries;
- The loss of key customers, a reduction in production requirements or consolidation could impact sales revenue and profitability;
- Challenging local and international economic conditions have had, and may continue to have a negative impact on the business;
- Price fluctuations or availability of raw materials, energy and other inputs could adversely impact the business; and
- Production, supply and other commercial risks which may be exacerbated during times of economic slowdown.

This has allowed the Company to demonstrate durability in dealing with the political and economic developments over the last 12 months. The Company has contributed to European and Global project initiatives within the Group in a structured way including to manage the impacts of the UK leaving the European Union. The Company will continue to act responsibly and coordinate actions through the supply chain of its group undertakings to maintain supply and preserve safety. Working with suppliers and customers the Company and its group undertakings are well placed to respond positively to situations as they arise in supporting the continuity of supply across the essential markets of food and healthcare. Post year end the business has encountered the unprecedented uncertainty and challenges arising from the Covid-19 pandemic although the defensive end markets in which the Company mainly operates have demonstrated the same resilience experienced through past economic cycles. However, the continuing uncertainty around the duration and severity of the pandemic makes estimating the impact on the Company's operations and financial results difficult. Rigorous precautionary measures are in place to protect employees, customers and suppliers and are expected to continue until the pandemic is adequately contained for the business. The Company has not experienced any significant disruptions in the supply chain to date and continues to monitor the risk of customer, raw material and other supply chain disruption.

Financial risk management

The Company principal financial assets are bank balances, amounts owed by group undertakings and trade debtors.

The Company participates in a group pooling arrangement, which optimises the use of cash resources across the Amcor group. This limits the Company's exposure to default by individual financial institutions. Cash deposits are subject to cross guarantee's from the fellow group companies participating in the cash pooling arrangement.

The Company manages its credit risk in relation to trade debtors by spreading exposure over a large number of customers, and by holding credit insurance if felt necessary.

The Company has overseas business, and as a result is exposed to movements in exchange rates. The currency risk is managed by entering into forward contracts for key foreign companies, which fix a significant portion of these exposures, thereby giving certainty over a substantial part of the Company's income stream and costs. The Company does not enter into speculative financial instruments.

Further details of risk factors affecting the Company are reported in the financial statements of Amcor PLC, the ultimate parent company (see note 20).

On behalf of the board

83 Tower Road North
Warmley, Bristol
BS30 8XP

Matthew Burrows
Director

18 June 2020

Independent auditors' report to the members of Amcor Flexibles Winterbourne Limited

Report on the audit of the financial statements

Opinion

In our opinion, Amcor Flexibles Winterbourne Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 30 June 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
19 June 2020

Statement of comprehensive income

for the year ended 30 June 2019

	Note	2019 £000	2018 £000
Turnover	3	**55,259**	56,207
Cost of sales		**(42,531)**	(41,592)
Gross profit		**12,728**	14,615
Distribution costs		**(2,535)**	(2,446)
Administrative expenses		**(6,118)**	(7,662)
Operating profit	4	**4,075**	4,507
Interest payable and similar expenses	7	**(15)**	-
Profit before taxation		**4,060**	4,507
Tax on profit	8	**(309)**	(232)
Profit for the financial year		**3,751**	4,275
Other comprehensive income/ (expense)			
Items that may subsequently be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		**(7)**	61
Tax on cash flow hedges		**1**	(10)
		(6)	51
Total comprehensive income for the year		**3,745**	4,326

All results relate to continuing operations.

Statement of financial position

as at 30 June 2019

	Note	2019		2018	
		£000	**£000**	£000	£000
Fixed Assets					
Intangible assets	*9*		**228**		325
Tangible assets	*10*		**15,653**		12,419
			15,881		12,744
Current assets					
Stocks	*11*	**6,502**		7,142	
Debtors	*12*	**35,684**		32,869	
		42,186		40,011	
Creditors: amounts falling due within one year	*13*	**(22,166)**		(20,599)	
Net current assets			**20,020**		19,412
Total assets less current liabilities			**35,901**		32,156
Net Assets			**35,901**		32,156
Capital and reserves					
Called up share capital	*16*		**11,204**		11,204
Share premium account			**1,391**		1,391
Hedge reserve	*17*		**(190)**		(184)
Retained earnings			**23,496**		19,745
Total shareholders' funds			**35,901**		32,156

The financial statements on pages 7 to 25 were approved by the board of directors on 18 June 2020 and were signed on its behalf by:

Matthew Burrows

Director

Statement of changes in equity

for the year ended 30 June 2019

	Called up share capital	Share premium account	Hedge reserve	Retained earnings	Total shareholders' funds
	£000	**£000**	**£000**	**£000**	**£000**
At 1 July 2018	11,204	1,391	(184)	19,745	32,156
Profit for the financial year	-	-	-	3,751	3,751
Tax on cash flow hedges	-	-	1	-	1
Change in fair value of cash flow hedges	-	-	(7)	-	(7)
Other comprehensive income for the year	-	-	(6)	-	(6)
Total comprehensive income for the year	-	-	(6)	3,751	3,744
At 30 June 2019	**11,204**	**1,391**	**(190)**	**23,496**	**35,901**

	Called up share capital	Share premium account	Hedge reserve	Retained earnings	Total shareholders' funds
	£000	**£000**	**£000**	**£000**	**£000**
At 1 July 2017	11,204	1,391	(235)	25,470	37,830
Profit for the financial year	-	-	-	4,275	4,275
Tax on cash flow hedges	-	-	(10)	-	(10)
Change in fair value of cash flow hedges	-	-	61	-	61
Other comprehensive expense for the year	-	-	51	-	51
Total comprehensive income for the year	-	-	51	4,275	4,326
Dividends Paid				(10,000)	(10,000)
At 30 June 2018	**11,204**	**1,391**	**(184)**	**19,745**	**32,156**

Notes to the financial statements

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been consistently applied to all years presented:

Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

New standards and interpretations, and interpretations not yet applied

During the year the Company adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers'.

The main impact of adopting IFRS 9 being the impairment assessment methodology used to value trade and other receivables. The Company considered a number of scenarios in calculating the expected credit losses to be provided for, along with considering the classification and measurement of its financial assets. The adoption of IFRS 9 did not materially affect the amounts recognised in the financial statements.

The adoption of IFRS 15 did not have a material impact on the Company.

There were a number of other amendments to existing standards and interpretations that were effective for the current period, but none of these has a material impact on the Company.

IFRS 16 'Leases' will be effective for the year ended 30 June 2020. The Company is currently in the process of finalising the assessment of the impact on the Financial Statements. The new Standard increases assets and liabilities for leases previously accounted for as operating leases which are to be capitalised on the balance sheet as right-of-use

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

New standards and interpretations, and interpretations not yet applied (continued)

assets and lease liabilities. The adoption of the new Standard will result in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application where a policy can be applied consistently on transition and subsequently. The Company is likely to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Going concern

The financial statements have been prepared on the going concern basis in accordance with the Companies Act 2006.

Turnover

Turnover recognition under IFRS 15 is a control based model when control of an asset (goods or services) passes relative to the nature, amount, timing and uncertainty of revenue and cash flow. The criteria, based on a 5-step approach, for determining whether control is transferred set out within the standard are as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognise revenue when the Company satisfies a performance obligation

The Company reviewed the revenue relating to other contracts and transactions when the significant risks and rewards of ownership transfer to the customer and has assessed whether the transfer of control under IFRS 15 will result in the timing of revenue recognition being materially different. Typically, goods and services are provided under contracts with the customer that are substantially the same and that have the same pattern of transfer with control passing at a point in time. The Company has concluded that there is no material change in the timing of revenue recognition for the 2019 account net of discounts, rebates, credits, price concessions, performance bonuses and similar incentives, value added tax and other sales taxes with revenue recognised in accordance with:

- The Company having a present right to payment for the asset;
- The customer has legal title to the asset;
- The Company having transferred physical possession of the asset;
- The customer has significant risks and rewards related to the ownership of the asset; and
- The customer has accepted the asset.

Variable consideration is included in the transaction price at the company's best estimate, and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets relate to computer software and are amortised over their estimated useful economic lives of between five and eight years on a straight line basis.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributed to bringing the asset to its working condition for its intended use. Depreciation is applied on a straight-line basis over the estimated economic lives of the assets. The rates applied are:

Freehold buildings	-	2% per annum
Plant and machinery	-	6.7% to 25% per annum
Fixtures and fittings	-	8% per annum
Computer equipment	-	20% to 33% per annum

Freehold land is not depreciated.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. Value in use is based on the present value of the future cash flows relating to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

Financial Instruments

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

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

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Financial Instruments (continued)

Financial liabilities
The Company classifies all of its financial liabilities, other than derivative financial instruments noted below, as liabilities at amortised cost.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Differences arising from fluctuations in exchange rates are recognised in the income statement element of the Statement of comprehensive income except where deferred in other comprehensive income as qualifying cash flow hedges.

Research and development expenditure

Research and development expenditure is charged to the statement if comprehensive income as incurred. Development expenditure is not capitalised as it does not meet the recognition criteria of IAS 38.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred taxation (continued)

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the statement of comprehensive income as incurred.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Pensions

The Company participates in a defined contribution pension scheme operated by its parent. The amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. The assets of the scheme are held separately from those of the Company in an independently administered fund.

A limited number of employees also participate in a defined benefit pension scheme operated by the Company's parent. Details of this scheme and its assets are disclosed in the annual financial statements of Amcor Flexibles UK Limited, which show that the defined benefit pension scheme has a deficit of £25,300,000 (2018: deficit of 21,900,000) (after recognition of the related deferred tax asset of £4,301,000 at 30 June 2019 (2018: £3,724,000). The deficit is calculated by valuing the scheme assets using market values and the scheme liabilities being measured using a project unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In accordance with IAS 19, as the defined benefit scheme is recognised in the financial statements of the main sponsoring Company, the Company has accounted for its contributions to its parent's defined benefit scheme as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover a number of group companies and it cannot be readily split between group companies on a consistent and reliable basis.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When the hedged forecast transaction results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method, less any impairment.

Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently re-measured at amortised cost using the effective interest rate method.

Dividends

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

2 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of assets

The Company assess at each reporting date whether an asset may be impaired. If there is any such indication that the carrying value may not be recoverable, the Company estimates the recoverable amount of the asset. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through the Statement of comprehensive income.

2 Critical judgements in applying the entity's accounting policies

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the group. In the judgement of the directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution pension scheme. See note 1 for further detail.

The Company follows the guidance of IFRS 9 to recognise expected credit losses for all financial assets held at amortised cost. In making this judgement, management considered whether there has been an actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that would result in a significant change in the borrower's ability to meet its debt obligations.

Notes to the financial statements *(continued)*

2 Critical accounting estimates and judgments (continued)

This consideration requires significant judgement. The adoption of IFRS 9 did not have a significant effect on the accounts and has not affected amounts recognised in the current or comparative periods.

3 Turnover

An analysis of turnover by geographical area of destination:

	2019	2018
	£000	£000
United Kingdom	**5,956**	5,019
Rest of Europe	**31,115**	31,921
The Americas	**4,807**	4,607
Rest of the World	**13,381**	14,660
	55,259	56,207

All turnover and profit before taxation originates in the UK and relates to the Company's one class of business, which is the manufacture, sale and distribution of specialised packaging primarily used in the medical sector.

4 Operating profit

Operating profit is stated after charging/(crediting):	**2019**	2018
	£000	£000
Amortisation of intangible assets	**97**	163
Depreciation of tangible fixed assets	**780**	783
Operating lease rentals – plant and machinery	**232**	239
Services provided by the Company's auditors – fees payable for the statutory audit	**23**	23
– fees paid for tax advice	**-**	-
Research and development costs	**499**	514
Reversal of impairment of stocks	**192**	(148)
Impairment of trade debtors	**-**	-
Foreign exchange (gains)	**50**	(7)
Stock recognised as an expense	**30,312**	30,941

Notes to the financial statements *(continued)*

5 Employees

	2019 Number	2018 Number
Average monthly number of employees by activity:		
Manufacturing	**152**	147
Administration	**23**	24
	175	171

	2019 £000	2018 £000
Employee costs:		
Wages and salaries	**6,560**	6,279
Social security costs	**650**	577
Other pension costs	**374**	373
	7,584	7,229

6 Directors' emoluments

The emoluments of the directors are paid by fellow group companies which make no recharge to the Company. All directors are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly no emoluments are disclosed in these financial statements.

7 Interest payable and similar expenses

	2019 £000	2018 £000
Factoring interest	**15**	-

Notes to the financial statements *(continued)*

8 Tax on profit

(a) Tax (credit) in year included in profit or loss

	2019		2018	
	£000	**£000**	£000	£000
Current tax				
UK Corporation tax	-		-	
Adjustments in respect of prior periods	-		-	
Total current tax		-		-
Deferred tax				
Origination and reversal of timing differences	309		261	
Adjustments in respect of prior periods	-		(2)	
Deferred tax rate change	-		(27)	
Total deferred tax		309		232
Total tax on profit		309		232

(b) Tax charge/(credit) in year included in other comprehensive income/(expense)

	2019		2018	
	£000	**£000**	£000	£000
Current tax	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	(1)		11	
Deferred tax rate change	-		(1)	
Total deferred tax		(1)		10
Total tax included in other comprehensive income/(expense)		(1)		10

Notes to the financial statements *(continued)*

8 Tax on profit *(continued)*

(c) Factors affecting the tax (credit) for the year included in profit and loss

The tax assessed for the year differs from the effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit before taxation	**4,060**	4,507
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**771**	856
Effects of:		
Group relief claimed for no payment	**(441)**	(595)
Adjustments in respect of prior periods	**-**	(2)
Adjustment to closing deferred tax rate	**(36)**	(27)
Expenses not deductible	**15**	-
Total tax charge / (credit) for the year	**309**	232

Factors that may affect future tax charges

The main rate of corporation tax was reduced from 20% to 19% on 1 April 2017. A further reduction to 17% from 1 April 2020 was legislated by Finance Bill 2016, which was substantially enacted on 6 September 2016.

Notes to the financial statements *(continued)*

9 Intangible assets

	Computer Software £000
Cost	
At 1 July 2018	1,303
At 30 June 2019	**1,303**
Accumulated amortisation	
At 1 July 2018	978
Charge for the year	**97**
At 30 June 2019	**1,075**
Net book value	
At 30 June 2018	325
At 30 June 2019	**228**

10 Tangible assets

	Freehold land and buildings	Plant, machinery, fixtures and fittings and computer equipment	Total
	£000	£000	£000
Cost			
At 1 July 2018	14,809	30,589	45,398
Additions	-	4,014	4,014
Disposals	-	(298)	(298)
At 30 June 2018	**14,809**	**34,305**	**49,114**
Accumulated Depreciation			
At 1 July 2018	8,155	24,824	32,979
Charge for the year	121	659	780
Disposals	-	(298)	(298)
At 30 June 2018	**8,276**	**25,185**	**33,461**
Net book value			
At 30 June 2019	**6,533**	**9,120**	**15,653**
At 30 June 2018	6,654	5,765	12,419

The net book value of freehold land and buildings at 30 June 2019 includes a value for land of £4,044,000 *(2018: £4,044,000)* which is not depreciated.

Notes to the financial statements *(continued)*

11 Stocks

	2019 £000	2018 £000
Raw materials	**1,897**	1,842
Work-in-progress	**876**	920
Finished goods and goods for resale	**3,729**	4,380
	6,502	7,142

Stocks are stated after provision for impairment of £559,000 (2018: £281,000).

12 Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade debtors	**6,442**	6,519
Amounts owed by group undertakings	**27,778**	24,838
Deferred tax asset (note 15)	**0**	26
Other debtors	**1,345**	1,085
	35,565	32,468
Amounts falling due after more than one year:		
Deferred tax asset (note 15)	**119**	401
	35,684	32,869

Amounts owed by group undertakings are unsecured, have no fixed repayment date, are recoverable on demand and bear no interest. Trade debtors are stated after provision for impairment of £nil (2018: £nil).

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts falling due within one year:		
Amounts forwarded by debt factor	**4,747**	2,955
Trade creditors	**11,704**	11,348
Amounts owed to group undertakings	**3,756**	3,330
Taxation and social security	**160**	150
Derivative financial instruments	**282**	226
Accruals and deferred income	**1,517**	2,590
	22,166	20,599

Amounts owed to group undertakings are unsecured, have no fixed repayment date, are recoverable on demand and bear no interest.

Notes to the financial statements *(continued)*

13 Creditors: amounts falling due within one year (continued)

Derivative financial instruments relate to forward exchange contracts taken out with another group company on the same terms as the group company has on their forward exchange contracts with external parties.

14 Financial Instruments

	2019	2018
	£000	£000
Financial assets		
Financial assets measured at amortised cost	**35,565**	32,442
	35,565	32,442

	2019	2018
	£000	£000
Financial liabilities		
Financial liabilities measured at amortised cost	**20,207**	17,633
Financial liabilities measured at fair value through profit or loss	**282**	226
	20,489	17,859

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors (see note 12).

Financial liabilities measured at amortised cost comprise of amounts forwarded by debt factor, trade creditors and amounts owed to group undertakings (see note 13).

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency debtors and creditors. At 30 June 2019 the Company had entered into forward exchange contracts to sell US$6,230,000 (2018: US$8,410,000) and €3,698,000 (2018: €3,154,000) and receive a fixed sterling amount at various times in the future up to 19 December 2020 (2018: 19 December 2019).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rate for GBP: USD and GBP: EUR.

Notes to the financial statements *(continued)*

15 Deferred tax

The movement on the deferred tax asset/ (liability) is as follows:

	2019 £000	2018 £000
At beginning of year	**427**	669
(Debited)/credited to statement of comprehensive income	**(309)**	(232)
(Debited)/credited to other comprehensive income/(expense)	**1**	(10)
At end of year	**119**	427

The deferred tax asset comprises:	2019 £000	2018 £000
Accelerated capital allowances	**66**	372
Other short-term timing differences	**14**	17
Derivative financial instruments hedged	**39**	38
	119	427

Deferred tax assets, which are included in debtors in note 12, are recognised on the basis that it is more likely than not that the Company will make taxable profits in the future against which the deferred tax asset may be utilised.

16 Called up share capital

	2019 £000	2018 £000
Allotted, and fully paid		
11,204,002 (2018: 11,204,002) ordinary shares of £1 each	**11,204**	11,204

17 Hedge reserve

The Hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

Notes to the financial statements *(continued)*

18 Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Other- Plant and machinery	
	2019	2018
	£000	£000
Not later than 1 year	**219**	206
Later than 1 year and not later than 5 years	**455**	548
Later than 5 years	-	-
	674	754

19 Security

The Company participates in a group cash pooling arrangement between the banking providers and other members of the Amcor group. All members of the group cash pool arrangement are jointly and severally liable for any payment default. As at 30 June 2019, the cash pool was in a deficit position of €34,000,000 (2018 - net surplus position of €62,700,000).

20 Dividends

	2019	2018
	£000	£000
Equity - ordinary		
Interim paid nil (2018: 89p) per £1 share	-	10,000

21 Ultimate parent undertaking

The immediate parent undertaking is Amcor Flexibles UK Limited, registered in England and Wales.

On 11 June 2019, Amcor Limited completed the acquisition of Bemis Company, Inc. to form Amcor Plc. Under the terms of the agreement announced on 6 August 2018, the all-stock acquisition was effected at a fixed exchange ratio of 5.1 Amcor shares for each Bemis share. Amcor Plc is the ultimate parent and controlling party, incorporated in Jersey, Channel Islands which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of Amcor Plc consolidated financial statements can be obtained from the group's website at www.amcor.com/investors.