Registered number: 02925612

COVERIS FLEXIBLES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COVERIS FLEXIBLES UK LIMITED

COMPANY INFORMATION

Directors	D Patterson J Pallas A Joy
Registered number	02925612 (England and Wales)
Registered office	Holland Place Wardentree Park Pinchbeck Spalding Lincolnshire PE11 3ZN
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Barclays Bank plc Sixth Floor One Snowhill Snowhill Queensway Birmingham B4 6GN Bank Mendes Gans Herengracht 619 1017CE Amsterdam The Netherlands

COVERIS FLEXIBLES UK LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of Coveris Flexibles UK Limited (the "company") is the manufacture and sale of packaging products that are used predominantly in the Food and Consumer markets.

Business review and future developments

2019 has been a challenging year as the company continues to operate in a fiercely competitive environment. The well documented competition between the established supermarkets and the discount chains and the continuing uncertainty of the mechanism for the UK leaving the EU, which has impacted raw material costs through weakened foreign exchange rates, have both put downward pressure on margins. However, through other manufacturing efficiencies, the gross margin has improved 1.1% year on year.

Revenues decreased by 1.2% to £159.6m (2018: £161.6m as restated) as a result poor weather during the summer of 2019 and changes in the sales mix. Despite the tough economic climate, our strategy of investing in our staff and equipment resulted in achieving gross margins of 15.2% (2018: 14.1%). Sales and administration expenses have decreased during the year to £22.7m (2018: £23.1m) and management recharges have been received from other UK Coveris businesses for £4.5m (2018: £8.7m) reflecting central efficiencies and thus reduced central costs that needed to be recharged.

Exceptional expenses of £0.4m have been incurred in the year (2018: £1.8m), these substantially related to workforce and senior management team restructuring costs £0.2m (2018: £1.6m) and Brexit related costs of £0.2m (2018: £nil).

The overall profit before tax for the year was a £2.6m (2018: £3.0m). Pre-exceptional EBITDA, excluding other income, which is a key measure of performance within the business, was £12.5m (2018: £7.5m).

	2019 £000	2018 £000
Operating profit	5,696	6,467
Exceptional items	376	1,828
Depreciation	10,942	7,849
EBITDA	17,014	16,144

	2019 £000	2018 £000
EBITDA	17,014	16,144
Other income	(4,503)	(8,657)
EBITDA excluding other income	12,511	7,487

2020 has seen continuing margin pressures due to continuing uncertainty on the UK's exit from the EU, however, the business has seen revenue stabilise with customers moving to recyclable materials. The company has a strong liquidity position and continues to invest in technology to bring new products to market whilst reducing costs.

Post balance sheet events and going concern

Since the start of 2020, the onset of the COVID-19 pandemic has occurred. This is considered a non-adjusting post balance sheet event, and therefore no impact on the carrying value of assets at the balance sheet date is noted.

Due to this situation the negative impact on Board sales has been significant due to a reduction in sandwich skillet sales in retailers as more people are either working from home or have been furloughed therefore missing out on food on the move sales opportunities. This has been further exacerbated by the closure of quick service restaurants in the UK. Sales of Labels have not been affected to the same degree and are performing well. The business has taken advantage of the government's furlough scheme during this decline. As lockdown has eased, and the demand for food on the move products has increased again, these employees are gradually being brought back from furlough.

Despite the impact of the pandemic the current forecast sales remain relatively strong and operating profit positive. Cashflow is being conserved, in particular the company has taken advantage of the VAT deferral scheme whereby VAT payments that were due to HMRC between March and June 2020 will not now be paid to HMRC until the first quarter of 2021.

Although the situation presents a lack of clarity on when trading might return to pre-COVID-19 levels which, as with many other businesses, has complicated the company's longer-term forecasting abilities, the directors remain positive about the future prospects of the company during this period. While the directors assess that the going concern assumption remains appropriate, there is uncertainty in the macroeconomic and health impacts of the current COVID-19 situation over the coming months. The directors have considered realistic assumptions in their review and assessment, covering a period of at least 12 months from the date of approval of these financial statements, and with the global economic outlook uncertain these assumptions and decisions will continue to evolve.

After assessing key factors such as liquidity, revenue and profitability impact and financing as well as considering appropriate sensitivities on these measures it is the opinion of the directors that the business will continue as a going concern.

Clearly, should the situation be worse than currently anticipated by the directors, including future repeated periods of lockdown and prolonged reduction in demand or an outbreak occurring within the company's manufacturing facilities, further actions may be required including the need to consider and seek further funding through lenders or other group companies, who remain supportive of the business.

Since the onset of the global pandemic the Coveris group has continued to trade strongly with EBITDA ahead of budget and prior year and adequate liquidity headroom, however, as a result of the current uncertainty in respect of the COVID-19 global pandemic and the potential impact of these events or conditions on the going concern assumption of the company, the directors consider that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

Principal risks and uncertainties

The principal financial risks and uncertainties are managed on a group wide basis. The management of the business and the execution of the group's strategy are subject to a number of principal risks and uncertainties, the most significant being raw material price inflation, foreign exchange fluctuations, product quality and customer relationship/demand management.

Raw material price inflation, either caused by fluctuations in commodity prices or foreign exchange rates, can have an impact on the cost price of the group's products. The group has a dedicated operational team that consolidates the group purchasing to build strong relationships with key suppliers and also ensure that we have sufficient raw materials to meet forecasted demand. Purchasing contracts are agreed in advance in order to minimise the risk of commodity price fluctuations having a negative impact on the group. The group also regularly reviews its operational format and invests in new machinery and techniques in order to minimise raw material stock wastage.

Product quality is of paramount importance as a failure in product quality could have a significant impact on the group. Our raw materials are sourced from a stable supplier base and pass through a number of quality control processes, both at our suppliers and at our manufacturing locations. Suppliers are selected based upon previous experience and we operate approved supplier lists. Batches of products are tested daily for quality to ensure they meet the group's stringent standards, prior to being dispatched to our customers.

Maintaining good working relationships with customers is of paramount importance to the group, therefore, being able to predict customer demand and responding to customer requests is key to achieving this. The group utilises its own experience to forecast customer demand and also regularly meets with key customers to identify any changes in demand. The group has also invested in a number of manufacturing plants based across the United Kingdom, in upgrading its plant and machinery and in training its dedicated workforce in order to allow the group to respond to changes in demand whilst maintaining its strict quality standards.

Financial risk management

Due to being part of the Coveris group, the financial risk management of the company is managed on a group wide basis by the Coveris S.A. central finance team. The financial risk management risks and policies are disclosed in the consolidated financial statements of Coveris S.A. The elements which are controlled by the company are disclosed below:

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash balances and intercompany balances. Interest bearing liabilities comprise bank overdrafts, lease liabilities, intercompany loans and bank loans. The cash assets are subject to interest rate fluctuations as are the bank loan and overdraft liabilities. The UK group intercompany loan liabilities are free from interest, intercompany loan assets and liabilities with entities outside of the UK have fixed interest rates of 4.0%. The group reviews its interest rate policy on a regular basis.

The company is exposed to liquidity risk. The company has committed financing through its parent undertakings and the group finance team regularly monitor available cash balances and available facilities to ensure that the group has sufficient funds to meet its obligations.

The company is exposed to credit risk as a result of its operations. Prior to sales being made appropriate checks are performed over the ability of the customer to pay. Regular reviews of credit limits and monitoring of the aged debtor's ledger are utilised to minimise the risk to the group on an ongoing basis. Credit insurance is also utilised to further mitigate the risk of loss to the group.

Key performance indicators ("KPI's")

Given the straightforward nature of the businesses within the group, the company's directors are of the opinion that analysis using non financial KPI's, other than that included within the review of business, is not necessary for an understanding of the development, performance or position of the business.

Directors' statement of compliance with duty to promote the success of the company

The Company operates in a sector characterised by long term relationships between stakeholders. Maintaining a reputation for high standards of business conduct is vital and the Company expects all stakeholders to always behave with integrity, acting openly, honestly and ethically. The Company has zero tolerance to fraud and consistently maintains effective oversight and scrutiny of processes, executed with independence and impartiality. Integrity is underpinned with policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing, each of which is reinforced through appropriate training.

The Directors recognise their responsibility to act in a way which promotes the success of the Company for all stakeholders, in line with Section 172(1) of the Company Act 2006, and as such, has evaluated its key stakeholders, why we need to engage with them and how we have engaged with them during the year. As a wholly owned subsidiary, The Directors do not consider the factor set out in Section 172(1)(f) (the need to act fairly between the members of the Company) relevant to the proper discharge of their duty under Section 172.

Stakeholder Group	**Why we engage**	**How we engage**
Employees	The long-term success of the Company relies upon our employees being committed to our strategy and core values. We engage regularly with our employees to ensure we create a safe environment in which they are happy to work. We strive for highly skilled employees with a low turnover rate which are key factors in being a leading producer of packaging products.	We hold regular communications meetings in order to share performance, strategy and seek feedback. We seek employee feedback through the means of Employee Consultation Forums, Employee Surveys, and dialogues with Trades Unions (where these are present on site).
Customers	Building solid and long-standing relationships with our customers is fundamental to the success of the Company. We pride ourselves on providing excellent customer service and products that meet all customer requirements to maintain customer loyalty and build brand reputation.	Our sales team have regular communication with our customers to ensure we are meeting their requirements and working collaboratively for future developments. Customer visits and on-site audits are regular occurrences and actively encouraged.
Suppliers	In order to be flexible and adaptable to our customer needs, we retain a large and versatile global supply base to ensure we meet the quality and technical requirements that our customers set for us.	Our supply chain team have regular correspondence and undertake site audits with our supply base. Face-to-face meetings, telephone calls and emails are also commonplace. We work collaboratively and set reasonable expectations in open and honest working relationships.
Community	The Company cares about its local community and is passionate about making the local area a great place to live and work. We want to build trust amongst the community and work collaboratively.	The company has created a Community Support fund, with an annual budget of £40,000. Employees are invited to propose good causes based in their communities which have a positive impact on wellbeing, participation in sport, and supporting disadvantaged groups.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Environment	The company is aware of its responsibilities to the environment and the impact it has on the wider world. Given the industry we operate in, we believe we have a moral obligation to reduce our environmental impact and always seek more environmentally friendly practices where appropriate.	At Coveris, our aim is to drive toward a net zero environmental impact. This means educating our people to stay within our permitted limits for operations, using best available techniques to tackle our environmental impacts, prioritising our efforts where we can make the most difference in reducing our contribution to climate change, and to protect a cleaner, healthier and more resilient environment that benefits society and our economy. We celebrate World Earth day across our UK organisation where we encourage the workforce to join our identified initiatives to make an environmental difference.

This report was approved by the board and signed on its behalf by:

A Joy
Director

20th October 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Dividends

No dividends were declared or paid during the year (2018: £Nil).

Directors

The directors who served during the year and up to the date of approval of these financial statements, unless otherwise stated, were:

D Patterson
J Pallas
A Joy (appointed 4 March 2019)
G E Rehwinkel (resigned 17 June 2019)
B Collins (resigned 8 February 2019)
T Norton (resigned 25 April 2019)

Employees

Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the bonus schemes linked to operating profit.

Consultation with employees or their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Matters covered in the strategic report

The principal activity, future outlook, review of business and principal risks and uncertainties (including financial risk management) are disclosed within the Strategic Report.

Auditor

BDO LLP, were appointed as new auditors in the year by the directors, in accordance with section 485 of the Companies Act 2006.

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

A Joy
Director

20th October 2020

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF COVERIS FLEXIBLES UK LIMITED

Opinion

We have audited the financial statements of Coveris Flexibles UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, and the 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 Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the 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 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.

Material uncertainty related to going concern

We draw attention to the disclosures in note 2.2 to the financial statements, which indicates the current uncertainty in respect of the COVID-19 global pandemic and the potential impact of this on the going concern assumption of the company. As stated in note 2.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF COVERIS FLEXIBLES UK LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 Statement of Directors Responsibilities within the Directors Report, 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 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 report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF COVERIS FLEXIBLES UK LIMITED

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 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.

BDO LLP

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK

20 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	Restated 2018 £000
Turnover	3	159,584	161,648
Cost of sales		(135,290)	(138,866)
Gross profit		24,294	22,782
Other income	4	4,503	8,657
Administrative expenses		(22,725)	(23,144)
Exceptional administrative expenses	5	(376)	(1,828)
Operating profit	6	5,696	6,467
Interest receivable and similar income	9	11	739
Interest payable and similar expenses	10	(3,090)	(4,162)
Profit before tax		2,617	3,044
Tax on profit	11	2,053	84
Profit for the financial year		4,670	3,128

All operations relate to continuing activities.

There was no other comprehensive income for 2019 or 2018.

The notes on pages 14 to 40 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £000		Restated 2018 £000
Fixed assets					
Intangible assets	12		982		982
Tangible assets	13		47,638		28,300
Investments	14		918		918
Deferred tax asset	21		4,564		2,534
			54,102		32,734
Current assets					
Stocks	15	15,215		15,848	
Debtors: amounts falling due within one year	16	48,147		86,346	
Cash at bank and in hand		1,443		4,758	
		64,805		106,952	
Creditors: amounts falling due within one year	17	(53,628)		(78,917)	
Net current assets			11,177		28,035
Total assets less current liabilities			65,279		60,769
Creditors: amounts falling due after more than one year	18		(26,977)		(28,557)
Provisions for liabilities					
Other provisions	22		(1,420)		-
Net assets			36,882		32,212
Capital and reserves					
Called up share capital	23		300		300
Share premium account			8,000		8,000
Retained earnings			28,582		23,912
			36,882		32,212

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

A Joy
Director
20th October 2020

The notes on pages 14 to 40 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2018	300	-	44,668	44,968
Profit for the year	-	-	3,128	3,128
Shares issued during the year	-	8,000	-	8,000
Loans waived to parent undertaking (note 7)	-	-	(23,884)	(23,884)
At 1 January 2019	300	8,000	23,912	32,212
Profit for the year	-	-	4,670	4,670
At 31 December 2019	300	8,000	28,582	36,882

The notes on pages 14 to 40 form part of these financial statements.

1. Statutory information

Coveris Flexibles UK Limited (the "company") manufactures and sells packaging, predominantly to the Food and Consumer markets. The company is a company limited by shares and is incorporated in England. The address of its registered office is Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, PE11 3ZN.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' .

The financial statements have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting standard 101 ' Reduced Disclosure Framework'.

The financial statements are prepared in Sterling (£) which is the functional currency of the company. The financial statements are for the year ended 31 December 2019 (2018: year ended 31 December 2018).

The financial statements have been prepared in £000's unless otherwise stated.

The following principal accounting policies have been applied:

Prior year restatement

The company benefits from having access to a Group wide cash pooling facility which is controlled by the ultimate parent company. The directors have considered the terms of this facility and concluded that the substance of the arrangement does not satisfy the definition of cash and cash equivalents. In particular the control over the facility sits with the parent company and therefore the balances represent intercompany amounts rather than cash or overdrafts at the balance sheet date. The terms of this facility have remained unchanged since inception, and therefore the directors have considered it appropriate to also correct the presentation of this balance at the previous reporting date.

The comparative turnover and cost of sales figures have been restated by £7,050,000 in order to show income within turnover reclassed from cost of sales as management feel that this is a better representation of the nature of these transactions. The impact on profit and net assets as a result of the restatement is £nil.

	As reported 2018 £000	As restated 2018 £000
Turnover	154,598	161,648
Cost of sales	(131,816)	(138,866)
Gross profit	22,782	22,782

2. Accounting policies (continued)

2.2 Going concern

The directors have considered events post year end, including the COVID-19 pandemic and its impact on the business. Whilst sales post year end have been, and continue to be, impacted in the Board sector, the overall profitability of the business remains strong. The business has used Government support schemes such as furloughing employees and deferring VAT payments in order to maximise cash reserves at this uncertain time.

Looking forward the biggest risk is a second wave and its impact on the business, however, even in scenario planning for a complete site closure in each business unit across the Coveris group and the impact this would have on cash flows, the availability of financing and liquidity was sufficient and included adequate headroom.

Although the situation presents a lack of clarity on when trading might return to pre-COVID-19 levels which, as with many other businesses, has complicated the company's longer-term forecasting abilities, the directors remain positive about the future prospects of the company during this period. While the directors assess that the going concern assumption remains appropriate, there is uncertainty in the macroeconomic and health impacts of the current COVID-19 situation over the coming months. The directors have considered realistic assumptions in their review and assessment, covering a period of at least 12 months from the date of approval of these financial statements and with the global economic outlook uncertain these assumptions and decisions will continue to evolve.

Clearly, should the situation be worse than currently anticipated by the directors, including future repeated periods of lockdown and prolonged reduction in demand or an outbreak occurring within the company's manufacturing facilities, further actions may be required including the need to consider and seek further funding through lenders or other group companies, who remain supportive of the business.

Since the onset of the global pandemic the Coveris group has continued to trade strongly with EBITDA ahead of budget and prior year and adequate liquidity headroom, however, as a result of the current uncertainty in respect of the COVID-19 global pandemic and the potential impact of these events or conditions on the going concern assumption of the company, the directors consider that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

2.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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; and
  - 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 and 18A of IAS 24 Related Party Disclosures

2. Accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 and therefore without restatement of comparative information.

On transition to IFRS 16, the company has elected to apply the following practical expedients:

- the company has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether these are a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 1 January 2019.

For leases previously classified as operating leases under IAS 17:

- the company has applied a single discount rate to a portfolio of leases with similar characteristics.
- the company has adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review.
- the company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.
- the company has excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- the company has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- the company has elected not to apply the requirements to leases with a term less than 12 months, or to leases for which the underlying asset is of low value.

2. Accounting policies (continued)

The following tables summarise the impacts of adopting new reporting standards on the company's financial statements.

Balance sheet (extract)

	31 December 2018 As restated £000	IFRS 16 £000	1 January 2019 Adjusted balance £000
Fixed assets			
Intangible assets	982	-	982
Tangible assets	28,300	20,585	48,885
Investments	918	-	918
Deferred tax asset	2,534	-	2,534
	32,734	20,585	53,319
Current assets			
Stocks	15,848	-	15,848
Debtors	86,346	-	86,346
Cash at bank and in hand	4,758	-	4,758
	106,952	-	106,952
Creditors: amounts falling due within one year	(78,917)	(3,385)	(82,302)
Total assets less current liabilities	60,769	17,200	77,969
Creditors: amounts falling due after more than one year	(28,557)	(15,780)	(44,337)
Other provisions	-	(1,420)	(1,420)
Net assets	32,212	-	32,212
Capital and reserves			
Called up share capital	300	-	300
Share premium account	8,000	-	8,000
Profit and loss account	23,912	-	23,912
	32,212	-	32,212

2. Accounting policies (continued)

2.5 Sale of businesses between wholly owned members of the Coveris group

When the trading assets of an entity are transferred between companies wholly under common control the transaction is recorded at the fair value of the consideration paid. The assets acquired are initially recorded at the carrying value prior to the sale taking place, under the predecessor accounting policy. Any excess between the amounts paid and the net assets acquired is accounted for as a debit to reserves. Goodwill relates to acquisitions made prior to the transition to FRS 101. Under the transition rules this has been held at the net book value on transition.

2.6 Turnover

Turnover represents sales to external customers and is measured at fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty. Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on receipt of the goods at customer's premises. Turnover is stated after deducting all related agreements, for example retrospective adjustments to revenue. At the balance sheet date the amounts expected to be reclaimed under agreements with customers are accrued for and deducted from revenue. In line with GSCOP guidance these amounts are held in accruals to the shorter of settlement with the customer or two full accounting periods since the accrual was created.

Other income represents management charges made to other Coveris UK businesses and is recognised on an accruals basis.

2.7 Consolidation

The company is a wholly owned subsidiary of Coveris Flexibles Holdings UK Limited and of its ultimate parent undertaking, a private equity investment fund advised by an affiliate of Sun Capital Partners Inc. It is included in the consolidated financial statements of Coveris S.A. which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

2.8 Goodwill

Goodwill arises on the acquisition of subsidiaries and is the difference between the fair value of consideration paid and the net assets acquired. Goodwill is not amortised but reviewed annually for impairment. The carrying value of the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Investments

Investments are recorded initially at the fair value of consideration given. They are reviewed for impairment where impairment indicators exist.

2. Accounting policies (continued)

2.10 Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property - 2% to 10% on cost
Plant and machinery - 10% to 50% on cost
Fixtures and fittings - 20% to 33% on cost
Motor vehicles - 25% on cost

Land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required they are made retrospectively.

2.11 Financial Instruments

Financial Assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, or amortised cost. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company's financial assets include cash and short-term deposits, trade and other receivables and amounts due from group undertakings.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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.

2. Accounting policies (continued)

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial Liabilities

Initial recognition and measurement

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Financial liabilities consist of trade and other payables, amounts due to group undertakings, lease liabilities and bank borrowings.

Financial liabilities are classified at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Amortised cost

Other financial liabilities at amortised cost are recognised when the company becomes party to the related contract, and 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.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2. Accounting policies (continued)

2.12 Cash

IAS7 defines cash and cash equivalents as comprising of cash in hand and demand deposits. The term demand deposit refers to deposits where the company can withdraw cash without giving any notice or suffering any penalty.

The company benefits from having access to a Group wide cash pooling facility which is controlled by the ultimate parent company. Although the accounts are held and managed locally, the substance of the arrangement is that of an intercompany balance due to the requirement to request authority and give notice of the companies' intended use to the parent company. The nature of this facility therefore does not satisfy the definition of cash and cash equivalents and has instead been presented within amounts due to/from group undertakings.

2.13 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Raw materials, consumables and goods for resale are determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

2.14 Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2. Accounting policies (continued)

2.15 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2.16 Employee benefit costs

The company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

2.17 Leases

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2.4. The following policies apply subsequent to the date of initial application, 1 January 2019.

Identifying Leases

The company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The company obtains substantially all the economic benefits from use of the asset; and
(c) The company has the right to direct use of the asset.

The company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the company obtains substantially all the economic benefits from use of the asset, the company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the company has the right to direct use of the asset, the company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

Lease Measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in

2. Accounting policies (continued)

the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 22)

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

2. Accounting policies (continued)

2.18 Exceptional costs

Exceptional items refers to items of expenditure or income which are considered by the directors to be either material, non-recurring or otherwise outside the normal course of business for the company. Examples of such items may include restructuring costs, one-off business events such as Brexit or IT interruption costs.

2.19 Judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Impairment of assets - estimate

The future recoverability of assets (being goodwill, investments, debtors and tangible fixed assets) requires the use of judgement as it requires management to make estimates and judgements in relation to future cash flows. These estimates could be impacted by events and circumstances outside of the control of management, for example a deterioration in the financial health of a major customer or significant deterioration in the UK economy as a whole. In making their assessment management have utilised the latest financial performance budgets.

Useful economic lives of tangible fixed assets and residual values - estimate

The tangible fixed assets are depreciated over their useful economic lives to their expected residual value. A change in technology or other such events could have an impact on both. Each year the assets are reviewed, and their useful economic lives and residual values are adjusted, as and when required.

Revenue recognition - estimate

Revenue is recognised based upon agreed terms with customers and accepted delivery of goods. However, as is common place within the UK Food Industry, agreements are often entered into with customers which retrospectively adjust the invoiced price. These adjustments are often based upon the achievement of variable criteria, for example sales growth year on year or the achievement of sales volume targets. The period of these agreements is often not coterminous with the company's financial year and therefore estimates are required of the likely amounts to be claimed by customers based upon sales made during the year. The settlement of these liabilities could be at differing values to those predicted at the year-end for a number of reasons, for example post year end under/over performance in sales forecasts or negotiations made subsequent to the year end.

Carrying value of stocks - estimate

Management review the market value of and demand for stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

2. Accounting policies (continued)

Provisions - estimate

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and managements's judgment is applied regarding the nature and extent of obligation in deciding if an outflow of resources is probable or not.

Lease – judgement and estimate

On application of IFRS 16 the directors have to exercise judgement as to the measurement of the lease term, considering the likelihood of exercising extension or termination clauses in contracts. Furthermore there are estimates inherent within the calculation of the lease liability and right of use asset, including most significantly the discount rate applied to the contractual cash flows.

3. Turnover

The turnover and profit before taxation in both periods presented are attributable to the one principal activity of the company.

Analysis of turnover by country of destination:

	2019 £000	Restated 2018 £000
United Kingdom	147,758	151,907
Europe	11,376	7,824
Other countries	450	1,917
	159,584	161,648

4. Other income

	2019 £000	2018 £000
Management charges	4,503	8,657

Management charges were made to other group companies during 2019 and 2018.

5. Exceptional items

	2019 £000	2018 £000
Exceptional administrative expenses - restructuring	204	1,608
Exceptional administrative expenses - Brexit storage costs	243	-
Exceptional administrative (income)/expenses - IT interruption costs	(71)	202
Exceptional administrative expenses - group simplification costs	-	18
	376	1,828

During 2019, the company continued restructuring its workforce and senior management team. This has resulted in restructuring, compensation and redundancy costs of £204,076 (2018: 1,608,000).

During 2019, the company incurred additional costs associated with Brexit for storage of inventories of £239,000 and legal advice of £4,000.

During 2018, the company experienced a cyber attack which resulted in IT interruption costs of £202,000. In 2019 the company received insurance proceeds against the costs incurred in 2018 of £71,000.

During 2018, the company incurred professional fees relating to a business simplification exercise of £18,000.

6. Operating profit

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

	2019 £000	Restated 2018 £000
Cost of inventories recognised as an expense	78,534	81,282
Depreciation - owned assets	6,693	6,504
Depreciation - sale and leaseback assets	1,236	1,345
Depreciation - right-of-use assets	3,013	-
(Profit)/loss on disposal of fixed assets	(255)	343
Foreign exchange losses/(gains)	62	(17)
Auditors' remuneration	95	77
Operating leases - land and buildings	-	2,554
Operating leases - low value and short term leases	262	972
Defined contribution pension cost	1,276	1,212

7. Loan waiver

	2019 £000	2018 £000
Loan waivers granted	-	25,032
Loan waivers received	-	(1,148)
	-	23,884

During 2018 the company restructured its group structure following a refinancing exercise. This resulted in net loan waivers being granted to group companies of £23,884,000. As these transactions were with related parties they have been recognised directly in reserves.

8. Employees and directors

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	37,314	37,730
Social security costs	3,275	3,512
Other pension costs	1,276	1,212
	41,865	42,454

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Directors	4	5
Production	863	859
Administration	313	367
	1,180	1,231

8. Employees and directors (continued)

Directors' remuneration

Included within the wages and salaries note above are directors' emoluments. In the prior period all such costs were paid by other group companies with no direct recharge of these costs. Those paid directly by the company are presented below:

	2019 £000
Directors' remuneration	943
Cost of defined contribution pension scheme	66
	1,009

Within the directors' remuneration disclosure above an element is recharged to other group companies to reflect the directors' involvement in the other group operations.

The highest paid director received remuneration of £381,000. The value of contributions paid to a defined contribution pension scheme on their behalf amounted to £nil. In 2018, the directors were remunerated by another group company for their services to the group as a whole and therefore no comparative figures are disclosed.

9. Interest receivable and similar income

	2019 £000	2018 £000
Deposit account interest	11	45
Intercompany interest	-	694
	11	739

10. Interest payable and similar expenses

	2019 £000	Restated 2018 £000
Interest on lease liabilities	707	-
Finance leases and hire purchase contracts	-	83
Bank interest payable	1,617	1,355
Intercompany interest	265	2,417
Deferred financing charges	501	307
	3,090	4,162

10. Interest payable and similar expenses (continued)

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2018 interest expense relating to lease liabilities is for finance leases under IAS 17 whilst in 2019 the interest expense is for lease liabilities under IFRS 16.

11. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profit for the year	79	292
Adjustments in respect of previous years	(102)	-
Total current tax (credit)/charge	(23)	292
Deferred tax		
Origination and reversal of timing differences	(1,382)	(360)
Impact of change in tax rates	73	55
Adjustment in respect of previous years	(721)	(71)
Total deferred tax credit	(2,030)	(376)
Taxation credit on profit on ordinary activities	(2,053)	(84)

Factors affecting tax credit for the year

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

	2019 £000	2018 £000
Profit on ordinary activities before tax	2,617	3,044
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	497	578
Effects of:		
Adjustments to tax charge in respect of prior years	(823)	(71)
Income not taxable for tax purposes	(77)	(204)
Re-measurement of deferred tax - change in UK tax rate	73	55
Deferred tax not recognised	149	285
Other differences	132	23
Group relief for nil consideration	(2,004)	(750)
Total tax credit for the year	(2,053)	(84)

11. Taxation (continued)

Factors that may affect future tax charges

The statutory UK corporation tax rate is currently 19%, effective from 1 April 2017 (reduced from 20% previously). Note, this rate was due to be further reduced in future periods to 17% (effective from 1 April 2020 – substantially enacted on 15 September 2016).

However, the UK government announced, in their budget held on 11 March 2020, that the corporation tax rate applicable from 1 April 2020 is now to remain at 19%. This change was substantively enacted on 17 March 2020.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantially enacted, at 31 December 2019. For the year ended 31 December 2019, in these financial statements, the reduction in the UK corporation tax rate to 17%, which was substantially enacted on 15 September 2016, has been used to calculate the closing deferred taxation balances. The change to 19% arising after the reporting date will affect the calculation of future deferred tax balances.

12. Goodwill

	2019 £000
Cost	
At 1 January 2019 and 31 December 2019	1,898
Amortisation	
At 1 January 2019 and 31 December 2019	916
Net book value	
At 31 December 2018 and 31 December 2019	982

13. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Motor vehicles £000	Right-of-use assets £000	Total £000
Cost							
At 1 January 2019 - as previously stated	2,887	60,951	12,405	-	142	-	76,385
Prior period restatement	(60)	6,932	53	-	(83)	-	6,842
At 1 January 2019 – as restated	2,827	67,883	12,458	-	59	-	83,227
Additions	169	3,890	528	4,550	-	766	9,903
Recognised on adoption of IFRS 16	-	-	-	-	-	20,585	20,585
Disposals	-	(2,621)	(1,030)	-	(19)	-	(3,670)
Transfers between classes	-	2,504	-	(2,504)	-	-	-
At 31 December 2019	2,996	71,656	11,956	2,046	40	21,351	110,045
Depreciation							
At 1 January 2019 - as previously stated	1,042	37,389	9,524	-	130	-	48,085
Prior period restatement	(60)	6,932	53	-	(83)	-	6,842
At 1 January 2019 – as restated	982	44,321	9,577	-	47	-	54,927
Charge for the year	95	5,881	1,946	-	7	3,013	10,942
Disposals	-	(2,503)	(940)	-	(19)	-	(3,462)
At 31 December 2019	1,077	47,699	10,583	-	35	3,013	62,407
Net book value							
At 31 December 2019	1,919	23,957	1,373	2,046	5	18,338	47,638
At 31 December 2018	1,845	23,562	2,881	-	12	-	28,300

Tangible fixed assets (continued)

During the year the directors identified certain assets that, whilst fully depreciated, are still in use within the business and therefore should be included in the opening balances for property, plant and equipment. An adjustment to increase opening cost and accumulated depreciation at 1 January 2018 by £6,842,000 has therefore been recognised. This adjustment has no impact on the net book value in either the 2018 or 2019 statement of financial position.

Included in the cost of land and buildings is freehold land of £132,000 (2018: £132,000) which is not depreciated.

Right-of-use assets

The net book value and depreciation charge for the right-of-use assets by class of underlying asset is as follows:

	Land and buildings £000	Leases of plant, equipment and vehicles £000	Total £000
At 1 January 2019	18,662	1,923	20,585
Additions	-	766	766
Depreciation	(1,994)	(1,019)	(3,013)
At 31 December 2019	16,668	1,670	18,338

14. *Fixed asset investments*

	Investments in subsidiary companies £000
Cost	
At 1 January 2019 and 31 December 2019	918
Net book value	
At 31 December 2019	918
At 31 December 2018	918

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Paragon Labels (Norfolk) Limited (1)	Dormant	Ordinary	100%
Rivendell Europe Limited	Supply of pre-media services	Ordinary	100%
St Neots (Hong Kong) Limited (2)	Dormant	Ordinary	100%
Castle Hills Eaton Socon Management Company Limited	Dormant	Ordinary	66.6%

(1) The registered office of Paragon Labels (Norfolk) Limited is 1 More London Place, London, SE1 2AF. This company was dissolved on 20 March 2020.

The registered office of Rivendell Europe Limited is Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, England, PE11 3ZN.

(2) The registered office of St Neots (Hong Kong) Limited is 6th Floor, Alexandra House, 18 Chater Road, Cental, Hong Kong. This company was dissolved on 20 September 2019.

The registered office of Castle Hills Eaton Socon Management Company Limited is Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, England, PE11 3ZN.

Name	Aggregate of share capital and reserves £000	Profit £000
Rivendell Europe Limited	2,389	981

15. Stocks

	2019 £000	2018 £000
Raw materials	3,253	3,882
Work in progress	729	592
Finished goods	11,233	11,374
	15,215	15,848

There is no material difference between the replacement cost of stocks and the amounts stated above.

Inventories are stated after provisions for impairment of £368,000 (2018: £403,000)

16. Debtors

	2019 £000	Restated 2018 £000
Due within one year		
Trade debtors	39,719	38,720
Amounts owed by group undertakings	6,595	43,532
Other debtors	714	2,105
Prepayments and accrued income	723	1,697
Corporation tax	396	292
	48,147	86,346

Trade debtors are stated after making provisions for impairment of £144,000 (2018: £58,000).

Amounts owed by group undertakings includes £5,312,000 (2018: £20,979,000) of cash pool balances and as such this element of amounts owed by group undertakings are secured and accrue interest at variable rates the remaining balances due from group undertakings are unsecured, interest free and repayable on demand.

17. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts	22,167	20,780
Bank loans	887	-
Trade creditors	17,044	19,600
Hire purchase contracts	-	1,201
Amounts owed to group undertakings	926	26,716
Other taxation and social security	1,114	1,130
Lease liabilities (note 29)	5,288	-
Other creditors	583	1,028
Accruals and deferred income	5,619	8,462
	53,628	78,917

17. Creditors: Amounts falling due within one year (continued)

The bank overdrafts are secured by a fixed and floating charge over the inventories and trade debtors of the company and accrue interest at variable rates.

The lease liabilities and bank loans are secured against certain fixed assets of the company and accrue interest at variable rates.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application.

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

	2019 £000	2018 £000
Bank loans	6,183	-
Lease liabilities (note 29)	15,890	-
Amounts owed to group undertakings	4,904	27,124
Hire purchase contracts	-	1,433
	26,977	28,557

Amounts owed to group undertakings relate to principal loan balances with entities located outside of the UK and totaled £4.9m (2018: £27.1m) and attracted interest at a rate of 4.0% (2018: 6.5%).

The lease liabilities and bank loans are secured against certain fixed assets of the company and accrue interest at variable rates.

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application.

19. Secured debts

The following secured debts are included within creditors:

	2019 £000	2018 £000
Bank overdrafts	22,167	20,780
Hire purchase contracts	-	2,634
Lease liabilities	21,178	-
Bank loans	7,070	-
	50,415	23,414

The bank overdrafts are secured by a fixed and floating charge over the inventories and trade debtors of the company assets and accrues interest at variable rates. The lease liabilities and bank loans are secured against certain fixed assets and accrue interest at variable rates.

20. Loans

Analysis of the maturity of loans is given below:

	2019 £000	2018 £000
Amounts falling due within one year		
Bank loans	887	-
Amounts falling due 2-5 years		
Bank loans	6,183	-
	7,070	-

21. Deferred taxation

	2019 £000
At beginning of year	2,534
Income statement credit	2,030
At end of year	4,564

21. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	4,235	2,142
Provisions and pensions	329	392
	4,564	2,534

Deferred tax is provided where there is reasonable certainty over the recovery of the asset, with regard to future taxable profits. It is expected that there will be sufficient trading profits in the company in the foreseeable future, against which the deferred tax assets will be utilised.

At the end of the financial year, the company has disallowed interest of £3,316,776 available for relief in a future period. No deferred tax asset has been recognised in respect of this relief.

22. Provisions

	Dilapidation provision £000
At 1 January 2019 - as previously stated	-
Recognised on adoption of IFRS 16	1,420
At 1 January 2019 - as restated	1,420
At 31 December 2019	1,420

Leasehold dilapidations relate to the estimated cost of returning the leasehold properties to their original state at the end of the leases in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements within the right-of-use asset class over the remaining term of the leases. The main uncertainty relates to estimating the cost that will be incurred at the end of the leases.

23. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
300,001 (2018: 300,001) Ordinary shares of £1 each	300	300

24. Contingent liabilities

As of 31st December 2019 the company was co-guarantor of a UK based asset based financing agreement. On 12th September 2019 the facility was renewed and extended. In the opinion of the directors no loss is expected to arise as a result of the security being granted. A copy of this security is filed at Companies House and can be accessed at www.companieshouse.gov.uk.

25. Ultimate parent company

The company's immediate parent undertaking is Coveris Flexibles Holdings UK Limited.

The ultimate parent undertaking and controlling party of the Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

The largest and smallest company to consolidate the results and financial position of the company is that headed by Coveris S.A. These consolidated financial statements are available from www.lbr.lu.

26. Capital commitments

At 31 December 2019 the company had capital commitments as follows:

	2019 £000	2018 £000
Contracted but not provided for in the financial statements	961	880

27. Pension commitments

The company operates a defined contributions pension scheme. Contributions payable are charged in the income statement, in the year ended 31 December 2019 these amounted to £1,276,000 (2018: £1,212,000). At 31 December 2019 £208,000 (2018: £186,000) was outstanding.

28. Post balance sheet events

Since the start of 2020 the onset of the COVID-19 pandemic has occurred. This is considered to be a non-adjusting post balance sheet event, and therefore has no impact on the carrying value of assets at the balance sheet date. Consideration of the impact of this on the going concern status of the company is included in the 'Post balance sheet events and going concern' section of the Strategic Report and in the basis of preparation note 2.2 in the accounting policies.

29. Effects of changes in accounting policies

As indicated in note 2.4, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.17.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate to the lease liabilities on 1 January 2019 was 3.66% for buildings, 2.54% for vehicles and 3.98% for plant and machinery.

The total cash outflow for leases in 2019 was £5,303,000.

I. Measurement of lease liabilities

	2019 £000
Operating lease commitment disclosed at 31 December 2018	21,975
Adjustments to minimum lease payments in relation to extension and termination options	619
Commitments in relation to low value and short term leases	262
Sale and leaseback liabilities recognised as at 31 December 2018	2,634
Less: discounting effect as at 1 January 2019	(3,691)
Lease liability at 1 January 2019	21,799

	2019 £000
Of which are:	
Current lease liabilities	4,586
Non-current lease liabilities	17,213
	21,799

ii. Measurement of right of use assets

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

	Land and buildings £000	Leases of plant, equipment and vehicles £000	Total £000
Carrying amounts of the lease liabilities and the movements:			
At 1 January 2019	17,242	4,557	21,799
Additions	-	3,975	3,975
Interest expense	580	127	707
Lease payments	(2,821)	(2,482)	(5,303)
	15,001	6,177	21,178

	2018 £000
Of which are:	
Current lease liabilities	5,288
Non-current lease liabilities	15,890
As at 31 December 2019	21,178

30. Related party transactions

Individuals have been identified within the company renumeration (note 8) that are not statutory directors of the company, however, they are deemed to be key management personnel as they are statutory directors of related group companies. All their costs are recharged to other group companies for their services to that company, and their gross renumeration is as follows:

	2019 £000
Key management personnel	
Wages and salaries	281
Cost of defined contribution pension scheme	26

In 2018 these individuals were not statutory directors of any group companies and, therefore, no comparative figures are disclosed.

At the balance sheet date, M Davis, an individual deemed to be key management personnel, owed £72,757 (2018: £nil) to the company. The maximum amount outstanding during the year was £72,757 (2018: £nil). No other loans or transactions were made with any other key management personnel.