Coveris Flexibles UK Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 02925612

Coveris Flexibles UK Limited

Company Information

Directors	A Joy J Pallas D Patterson
Registered number	02925612
Registered office	Holland Place Wardentree Park Pinchbeck Spalding Lincolnshire PE11 3ZN
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

Coveris Flexibles UK Limited

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Coveris Flexibles UK Limited

Strategic Report
For the Year Ended 31 December 2020

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2020.

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

2020 has been a challenging year as the company continues to operate in a fiercely competitive environment and has also had to navigate the effects of the COVID-19 pandemic on the Board business as described below. The continuing uncertainty of the mechanism for the UK leaving the EU, impacted raw material costs through weakened foreign exchange rates, as well as the impact of the pandemic on the business, have both put downward pressure on margins.

Revenues decreased by 3.8% to £153.5m (2019 - £159.6m) mainly due to the COVID-19 pandemic effect upon the Board business impacting the sales in the Food to Go and Food Service markets due to a decrease in UK and European travel following lockdown restrictions implemented by Governments within the UK and across Europe. Due to the tough economic climate and the effects of COVID-19 on the business, gross margins decreased to 14.2% (2019 - 15.2%). Adjusting gross margin for the £1.1m of Government furlough income received as part of the support given to businesses during the COVID-19 pandemic would result in a stable year on year gross margin performance. Sales and administration expenses have decreased during the year to £17.1m (2019 - £22.7m), this is due to reduced travel and other expenditure following the national lockdowns in 2020 and is also reflected in the reduced management recharges which have been received from other UK Coveris businesses during 2020 of £1.9m (2019 - £4.5m) reflecting more costs being charged directly to various UK sites for services received rather than these costs being taken by the central services cost centre within Coveris Flexibles UK Limited and then recharged to the various sites.

Exceptional expenses of £1.3m have been incurred in the year (2019 - £0.4m), these substantially related to workforce and management restructuring costs £0.7m (2019 - £0.2m), Brexit related costs of £0.1m (2019 - £0.2m) and additional employee costs as a result of the COVID-19 pandemic of £0.5m (2019 - £Nil).

The overall profit before tax for the year was a £4.0m (2019 - £2.6m). Pre-exceptional EBITDA, excluding other income, which is a key measure of performance within the business, was £14.9m (2019 - £12.5m).

	2020 £000	2019 £000
Operating profit	**6,487**	5,696
Exceptional items	**1,265**	376
Depreciation	**10,103**	10,942
Pre-exceptional EBITDA	**17,855**	17,014

	2020 £000	2019 £000
Pre-exceptional EBITDA	**17,855**	17,014
Other income	**(2,998)**	(4,503)
Pre-exceptional EBITDA excluding other income	**14,857**	12,511

2021 trading update

Trading in the first four months shows an increase in net sales of £1.1m over 2020 as a direct result of travel restrictions being eased and lockdown being partially lifted. Forecast sales for 2021 are £14.8m up on 2020 due to the continuing recovery in the Food to Go and Food Service markets along with new business wins within the Chilled Food and non-food markets.

Plastic Packaging Tax

In April 2022 the UK Government is introducing the Plastic Packaging Tax (PPT), this will affect UK producers of plastic packaging, importers of plastic packaging, business customers of producers and importers of plastic packaging, and consumers who buy goods in plastic packaging in the UK.

This is a new tax that applies to plastic packaging produced in, or imported into the UK that does not contain at least 30% recycled plastic. It will not apply to any plastic packaging which contains at least 30% recycled plastic, or any packaging which is not predominantly plastic by weight. The tax will provide a clear economic incentive for businesses to use recycled material in the production of plastic packaging, which will create greater demand for this material and in turn stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration. As a business we understand the significantly important part packaging provides in the protection and provision of extension of shelf life that our products afford, however, we also recognise our responsibility to minimise the environmental impact of our products. Our lightweight product portfolio supports a lower carbon footprint compared to alternative packaging solutions and we continuously seek new ways to reduce packaging and offer more sustainable materials. Coveris dedicates significant resources to further developing eco-efficient recyclable packaging solutions and increase the amount of recycled materials in the production of our packaging.

Going concern

Having navigated the past year through the COVID-19 pandemic and seeing the continued recovery in the Food to Go and Food Service markets following the easing of travel restrictions and lockdowns as well as achieving new business wins in the Chilled Food and non-food markets the Directors have assessed key factors such as liquidity, revenue and profitability as well as considering appropriate sensitivities on these measures and it is the opinion of the Directors that the business will continue as a going concern.

Principal risks and uncertainties

The principal and financial risks and uncertainties are managed on a Coveris 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 of cash balances and intercompany loans. Interest bearing liabilities comprise of bank overdrafts, lease liabilities, intercompany loans and bank loans. The cash assets are subject to interest rate fluctuations as are the bank loans and overdraft liabilities. The UK group intercompany loan liabilities are free from interest. Intercompany loan assets and liabilities with entities outside the UK group 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 debtors 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 business, the Company's directors are of the opinion that analysis using 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 Companies 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 are 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.

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.

During 2020, the impact of the COVID-19 pandemic on the business drove a number of additional decisions by the Directors such as furlough of employees and using the government grant scheme to support employees and the business through this time and this required clear communication with employees. We also communicated with employees on revised health and safety practices to be followed during the pandemic in order to better protect the health and welfare of employees and their families. We also regularly engaged with customers and suppliers throughout the pandemic to ensure customer requirements for our products were maintained throughout.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Streamlined Energy and Carbon Reporting ("SECR") disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

Scope 1: These include emissions from activities owned or controlled by the organisation that release emissions into the atmosphere. They are direct emissions. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment.

Scope 2: These include emissions released into the atmosphere associated with the consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of the organisation's activities, but which occur at sources we do not own or control.

Scope 3: Emissions that are a consequence of our actions, which occur at sources which we do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by the organisation, waste disposal which is not owned or controlled, or purchased materials.

	Year to 31 December 2020
Energy consumption used to calculate emissions (kWh)	28,454,883
Emissions from combustion of gas (Scope 1) tCO2e	745
Emissions from combustion of fuel for transport purposes (Scope 1) tCO2e	322
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO2e	700
Emissions from purchased electricity (Scope 2, location-based) tCO2e	4,671
Total gross tCO2e based on above	6,438
Intensity ratio (tCO2e/total production 000 m2)	0.035704

Energy efficiency action summary for the year to 31 December 2020

Coveris Flexibles UK Limited continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including;

- Our packaging portfolio offers a wide range of technologically advanced functionalities to protect consumer goods, keeping them safe and hygienic for the consumer and extending the period during which the product can be used.
- We recognise our responsibility to minimise the environmental impact of our products.
- Coveris is committed in doing everything it can to achieve a zero net waste balance at all its production sites.
- Our lightweight product portfolio supports a lower carbon footprint compared to alternative packaging solutions and we continuously seek new ways to reduce packaging and offer more sustainable materials.

Additional indirect energy and carbon emission savings have also been achieved through a range of measures, including;

- Meeting the requirements of the UK Government's Streamlined Energy and Carbon Reporting scheme.
- Implemented a new enterprise-level software application which provides us quality assurance and data capture capabilities into one energy and carbon management solution. This provides us audited and verified data on our GHG emissions.

Methodology notes

Reporting Period	1st of January 2020 – 31st of December 2020
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Coveris Flexibles UK Limited's annual accounts made up to 31 December 2020
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2020 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gasreporting- conversion-factors-2020
Conversion factor source	Natural Gas and gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel: U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020 LPG: Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance Direct Emissions from Stationary Combustion Sources 2008
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from mileage data to kWh and GHG emissions using the method above. In absence of the exact engine sizes of the vehicles average conversion factors were used to calculate emissions. The Scope 1 LPG consumption was converted from kilograms to litres using the average conversion factor from suppliers.
Reason for the intensity measurement choice	Based on the nature of our business, as well as following the recommendations of the SECR legislation we chose the following intensity metric: Total Production. This metric reflects the total CO2 emitted in line with the production that shows the development of our energy efficiency. Through the comparison of the coming financial years this metric will show the improvement of Coveris Flexibles UK Limited's energy efficiency.

This report was approved by the board on 10th June 2021 and signed on its behalf.

A Joy
Director

Coveris Flexibles UK Limited

Directors' Report
For the Year Ended 31 December 2020

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year, after taxation, amounted to £4,282,000 (2019 - £4,670,000).

No dividends were declared or paid during the year (2019 - £Nil).

Directors

The Directors who served during the year were:

A Joy
J Pallas
D Patterson

Engagement with 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.

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.

Qualifying third party indemnity provisions

The Company has not entered into qualifying third party indemnity arrangements for the benefit of the Directors in a form and scope detailed within the Companies Act 2006.

Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the Company.

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.

Events after the reporting period

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

Auditor

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

This report was approved by the board on 10th June 2021 and signed on its behalf.

A Joy
Director

Coveris Flexibles UK Limited

Directors' Responsibilities Statement
For the Year Ended 31 December 2020

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent Auditor's Report to the Members of Coveris Flexibles UK Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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.

We have audited the financial statements of Coveris Flexibles UK Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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 Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Auditor's responsibilities for the audit of the financial statements (continued)

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

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

Use of our report

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

DocuSigned by:
Mark Langford
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Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom

14 June 2021

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

Statement of Comprehensive Income
For the Year Ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	4	**153,545**	159,584
Cost of sales		**(131,679)**	(135,290)
Gross profit		**21,866**	24,294
Administrative expenses		**(17,112)**	(22,725)
Exceptional administrative expenses	5	**(1,265)**	(376)
Other operating income	6	**2,998**	4,503
Operating profit	7	**6,487**	5,696
Interest receivable and similar income	11	**-**	11
Interest payable and similar expenses	12	**(2,530)**	(3,090)
Profit before tax		**3,957**	2,617
Tax on profit	13	**325**	2,053
Profit for the financial year		**4,282**	4,670

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 17 to 41 form part of these financial statements.

Coveris Flexibles UK Limited
Registered number:02925612

Statement of Financial Position
As at 31 December 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible fixed assets	14		**982**		982
Tangible assets	15		**44,309**		47,638
Investments	16		**918**		918
Deferred tax asset	23		**4,898**		4,564
			51,107		54,102
Current assets					
Stocks	17	**14,344**		15,215	
Debtors: amounts falling due within one year	18	**37,750**		48,147	
Cash at bank and in hand		**759**		1,443	
		52,853		64,805	
Creditors: amounts falling due within one year	19	**(35,034)**		(53,628)	
Net current assets			**17,819**		11,177
Total assets less current liabilities			**68,926**		65,279
Creditors: amounts falling due after more than one year	20		**(26,342)**		(26,977)
Provisions for liabilities					
Other provisions	24		**(1,420)**		(1,420)
Net assets			**41,164**		36,882
Capital and reserves					
Called up share capital	25		**300**		300
Share premium account	26		**8,000**		8,000
Profit and loss account	26		**32,864**		28,582
Total equity			**41,164**		36,882

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

10th June 2021

A Joy
Director

The notes on pages 17 to 41 form part of these financial statements.

Coveris Flexibles UK Limited

Statement of Changes in Equity
For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019	**300**	**8,000**	**23,912**	**32,212**
Comprehensive income for the year				
Profit for the year	-	-	4,670	4,670
Total comprehensive income for the year	-	-	**4,670**	**4,670**
At 1 January 2020	**300**	**8,000**	**28,582**	**36,882**
Comprehensive income for the year				
Profit for the year	-	-	4,282	4,282
Total comprehensive income for the year	-	-	**4,282**	**4,282**
At 31 December 2020	**300**	**8,000**	**32,864**	**41,164**

The notes on pages 17 to 41 form part of these financial statements.

1. General information

Coveris Flexibles UK Limited is a private company, limited by shares, and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

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' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Coveris S.A. These financial statements do not include certain disclosures in respect of:

- the requirements of IFRS 7 Financial Instruments: Disclosures

2. Accounting policies (continued)

2.3 *Exemption from preparing consolidated financial statements*

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

Having navigated the past year through the COVID-19 pandemic and seeing the continued recovery in the Food to Go and Food Service markets following the easing of travel restrictions and lockdowns as well as achieving new business wins in the Chilled Food and non-food markets the Directors have assessed key factors such as liquidity, revenue and profitability as well as considering appropriate sensitivities on these measures and it is the opinion of the Directors that the business will continue as a going concern.

2.5 Impact of new international reporting standards, amendments and interpretations

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2020. None of these had a material impact on the Company.

2.6 Foreign currency translation

Functional and presentation currency

The financial statements are prepared in Sterling (£) which is the functional currency of the Company and rounded to the nearest £000's unless otherwise stated.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'cost of sales'.

2. Accounting policies (continued)

2.7 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 reporting 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 includes management charges made to other Coveris UK businesses and is recognised on an accruals basis and, in 2020, also includes government grants receivable for furloughed employees.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Exceptional items

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 COVID-19, Brexit or IT interruption costs.

2.10 Other operating income

Government grants

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

2.11 Interest income

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

2.12 Finance costs

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

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting 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 Statement of Financial Position 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 reporting date.

2.14 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the Company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the Directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the Directors, would be misleading.

2. Accounting policies (continued)

2.15 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.

2.16 Tangible fixed assets

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

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings	- 2% to 10% on cost
Plant and machinery	- 10% to 50% on cost
Motor vehicles	- 25% on cost
Fixtures and fittings	- 20% to 33% on cost
Right of use assets	- over the period of the lease

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

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

No depreciation is charged on assets under the course of construction until they are complete and available for use. Land is not depreciated.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.18 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 first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting 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 profit or loss.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

2.20 Provisions for liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Provisions are discounted only where the impact is considered to be material.

2. Accounting policies (continued)

2.21 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.

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.

2. Accounting policies (continued)

2.21 Financial instruments (continued)

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)**

2.22 Leases

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 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.

2. Accounting policies (continued)

2.22 Leases (continued)

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)

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 reassesses 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.

3. Judgements in applying accounting policies 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 reporting 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 and estimates have had the most significant effect on amounts recognised in the financial statements:

Impairment of assets (notes 14, 15, 16 and 18) - judgement and 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 (note 15) - 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 (note 17) - 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.

Provisions (note 24) - judgement

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 judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligation in deciding if an outflow of resources is probable or not.

3. Judgements in applying accounting policies (continued)

Leases (note 22) - 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.

4. Turnover

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

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	**140,078**	147,758
Rest of Europe	**13,144**	11,376
Rest of the world	**323**	450
	153,545	159,584

5. Exceptional administrative expenses

	2020 £000	2019 £000
Restructuring	**763**	204
Brexit costs	**68**	243
Cyber attack insurance income	**(65)**	(71)
COVID-19 related costs	**499**	-
	1,265	376

During 2020, the Company continued restructuring its workforce and senior management team. This has resulted in restructuring, compensation and redundancy costs of £763,000 (2019 - £204,000).

During 2020, the Company incurred additional costs associated with brexit for legal and tax advice of £68,000 (2019 - storage of inventories of £239,000 and legal advice of £4,000).

In 2020, the Company received insurance proceeds against the IT interruption costs incurred in 2018 as a result of a cyber attack of £65,000 (2019 - £71,000).

In 2020, the Company incurred additional employee related costs of £499,000 (2019 - £Nil) as a result of the COVID-19 pandemic.

6. Other operating income

	2020 £000	2019 £000
Intercompany management charges	**1,937**	4,503
Government grants receivable for furloughed employees	**1,061**	-
	2,998	4,503

7. Operating profit

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

	2020 £000	2019 £000
Depreciation of owned assets	**6,836**	7,929
Depreciation of right of use assets	**3,267**	3,013
Profit on disposal of fixed assets	**(253)**	(255)
Foreign exchange losses	**40**	62
Operating lease charges on low value and short term leases	**113**	262

8. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**147**	95

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group consolidated accounts of the parent Company.

9. Employees

Staff costs, including Directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	**37,332**	37,314
Social security costs	**3,093**	3,275
Cost of defined contribution scheme	**1,387**	1,276
	41,812	41,865

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

	2020 No.	Restated 2019 No.
Directors	**3**	4
Production	**980**	962
Administration	**194**	214
	1,177	1,180

10. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	**540**	943
Company contributions to defined contribution pension schemes	**54**	66
	594	1,009

In the prior year, within the directors' remuneration disclosure above, an element was recharged to other group companies to reflect the Directors'involvement in the other group operations in that period.

During the year, retirement benefits were accruing to 3 (2019 - 4) director in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £281,000 (2019 - £381,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £23,000 (2019 - £Nil).

11. Interest receivable and similar income

	2020 £000	2019 £000
Deposit account interest	-	11

12. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	**1,385**	1,617
Deferred financing charges	**254**	501
Intercompany interest	**199**	265
Interest on lease liabilities	**692**	707
	2,530	3,090

13. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	**23**	79
Adjustment in respect of previous years	**(14)**	(102)
Total current tax	**9**	(23)
Deferred tax		
Origination and reversal of timing differences	**(228)**	(1,382)
Impact of change in tax rates	**263**	73
Adjustment in respect of previous years	**(369)**	(721)
Total deferred tax	**(334)**	(2,030)
Taxation on profit	**(325)**	(2,053)

13. Taxation (continued)

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before tax	**3,957**	2,617
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**752**	497
Effects of:		
Adjustments to tax charge in respect of previous years	**(383)**	(823)
Income not taxable for tax purposes	**(304)**	(77)
Re-measurement of deferred tax - change in UK tax rate	**263**	73
Deferred tax not recognised	**88**	149
Other differences	**-**	132
Group relief for nil consideration	**(741)**	(2,004)
Total tax credit for the year	**(325)**	(2,053)

Factors that may affect future tax charges

The UK Government announced on 3 March 2021 its intention to increase the UK Corporation tax rate from 19% to 25% from 1 April 2023. This has not been substantively enacted at the reporting date and as such tax has been calculated based on the prevailing rate of 19%. The utilisation of the new corporation tax rate proposed in the recent budget will be considered in future periods.

14. Goodwill

	2020 £000
Cost	
At 1 January 2020 and 31 December 2020	**1,898**
Impairment	
At 1 January 2020 and 31 December 2020	**916**
Net book value	
At 31 December 2020 and 31 December 2019	**982**

15. Tangible fixed assets

	Land and buildings £000	Assets under construction £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Right of use assets £000	Total £000
Cost							
At 1 January 2020	2,996	2,046	71,656	40	11,956	21,351	110,045
Additions	9	605	4,388	-	334	1,594	6,930
Disposals	-	-	(2,123)	-	-	(112)	(2,235)
Transfers between classes	-	(1,637)	1,637	-	-	-	-
At 31 December 2020	3,005	1,014	75,558	40	12,290	22,833	114,740
Depreciation							
At 1 January 2020	1,077	-	47,699	35	10,583	3,013	62,407
Charge for the year	96	-	6,095	3	642	3,267	10,103
Disposals	-	-	(2,011)	-	-	(68)	(2,079)
At 31 December 2020	1,173	-	51,783	38	11,225	6,212	70,431
Net book value							
At 31 December 2020	1,832	1,014	23,775	2	1,065	16,621	44,309
At 31 December 2019	1,919	2,046	23,957	5	1,373	18,338	47,638

15. Tangible fixed assets (continued)

Included in the cost of land and buildings is freehold land of £132,000 (2019 - £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:

	2020 £000	2019 £000
Net book value		
Land and buildings	**14,531**	16,668
Plant, machinery and motor vehicles	**2,090**	1,670
	16,621	18,338

	2020 £000	2019 £000
Depreciation charge		
Land and buildings	**(2,201)**	(1,994)
Plant, machinery and motor vehicles	**(1,066)**	(1,019)
	(3,267)	(3,013)

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost and net book value	
At 1 January 2020 and 31 December 2020	**918**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Ordinary share capital held
Rivendell Europe Limited	Holland Place, Wardentree Park, Pinchbeck,Spalding, Lincolnshire, England, PE11 3ZN	100%
Castle Hills Eaton Socon Management Company Limited	Holland Place, Wardentree Park, Pinchbeck,Spalding, Lincolnshire, England, PE11 3ZN	66.6%

17. Stocks

	2020 £000	2019 £000
Raw materials and consumables	**3,861**	3,253
Work in progress (goods to be sold)	**936**	729
Finished goods and goods for resale	**9,547**	11,233
	14,344	15,215

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

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of slow-moving and obsolete stock was £362,000 (2019 - £271,000).

18. Debtors: amounts falling due within one year

	2020 £000	2019 £000
Due within one year		
Trade debtors	**36,106**	39,719
Amounts owed by group undertakings	**477**	6,595
Other debtors	**326**	714
Prepayments	**626**	723
Tax recoverable	**215**	396
	37,750	48,147

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £478,000 (2019 - £185,000).

Amounts owed by group undertakings includes £Nil (2019 - £5,312,000) 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.

19. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	-	22,167
Bank loans	887	887
Trade creditors	17,420	17,044
Amounts owed to group undertakings	2,188	926
Other taxation and social security	4,537	1,114
Lease liabilities (note 22)	3,651	5,288
Other creditors	372	583
Accruals	5,979	5,619
	35,034	53,628

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.

Included within lease liabilities is £1,238,000 (2019 - £1,700,000) of assets secured under a sale and leaseback borrowing arrangement.

Amounts owed to group undertakings includes £1,117,000 (2019 - £Nil) of cashpool balances and as such this element of amounts owed to group undertakings are secured and accrue interest at variable rates. The remaining amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

	2020 £000	2019 £000
Bank loans	5,295	6,183
Lease liabilities (note 22)	15,706	15,890
Amounts owed to group undertakings	5,103	4,904
Other creditors	238	-
	26,342	26,977

Amounts owed to group undertakings relate to principal loan balances with entities located outside of the UK and totalled £5.1m (2019 - £4.9m) and attracted interest at a rate of 4.0% (2019 - 4.0%).

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

Included within lease liabilities is £2,912,000 (2019 - £2,864,000) of assets secured under a sale and leaseback borrowing arrangement.

21. Loans

Analysis of the maturity of loans is given below:

	2020 £000	2019 £000
Amounts falling due within one year		
Bank loans	**887**	887
Amounts falling due 1-2 years		
Bank loans	**5,295**	887
Amounts falling due 2-5 years		
Bank loans	**-**	5,296
	6,182	7,070

22. Leases

Company as a lessee

The total cash outflow for leases in 2020 was £5,551,000 (2019 - £5,303,000).

	Land and buildings £000	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)**
Lease liability as at 31 December 2019	**15,001**	**6,177**	**21,178**
Additions	**65**	**2,973**	**3,038**
Interest expense	**520**	**172**	**692**
Lease payments	**(2,337)**	**(3,214)**	**(5,551)**
Lease liability as at 31 December 2020	**13,249**	**6,108**	**19,357**

Included within lease additions is £1,479,000 (2019 - £3,149,000) of liabilities secured against assets under a sale and leaseback arrangement.

22. Leases (continued)

	2020 £000	2019 £000
Of which are:		
Current lease liabilities	**3,651**	5,288
Non-current lease liabilities	**15,706**	15,890
As at 31 December	**19,357**	21,178

23. Deferred taxation

	2020 £000
At beginning of year	**4,564**
Credited to profit or loss	**334**
At end of year	**4,898**

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	**4,808**	4,235
Provisions and pensions	**90**	329
	4,898	4,564

At the end of the financial year, the company has disallowed interest of £5,879,000 (2019 - £3,316,776) available for relief in a future period. No deferred tax asset has been recognised in respect of this relief.

24. Provisions

	Dilapidation provision £000
At 1 January 2020 and 31 December 2020	**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.

25. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
300,001 (2019 - 300,001) Ordinary shares of £1.00 each	**300**	300

Ordinary shares have attached to them full voting, dividend and capital distribution rights, including on a winding up. They do not confer any rights of redemption.

26. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

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

27. Contingent liabilities

As of 31 December 2020 the Company was co-guarantor of a UK based asset based financing agreement. On 12 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.

28. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020 £000	2019 £000
Contracted but not provided for in the financial statements	**116**	961

29. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,387,000 (2019 - £1,276,000).

The amounts outstanding at the year end, included within other creditors, were £217,000 (2019 - £208,000).

30. Related party transactions

At the reporting date, M Davis, an individual deemed to be key management personnel, owed £72,757 (2019 - £72,757) to the Company. The maximum amount outstanding during the year was £72,757 (2019 - £72,757). No other loans or transactions were made with any other key management personnel.

31. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Coveris Flexibles Holdings UK Limited, a company incorporated in England and Wales and registered at Holland Place Wardentree Park, Pinchbeck, Spalding, Lincolnshire, PE11 3ZN.

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.