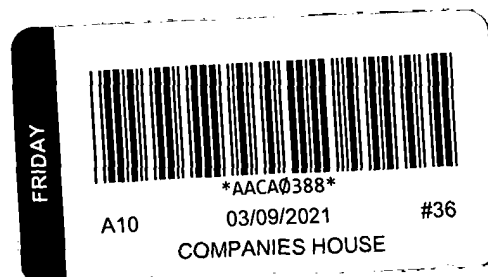


Innovia Films Limited

**Annual report and financial
statements**

Registered number 00271998

31 December 2020



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Company information

Directors

S A Huber
G T Martin

Registered Office

Lowther R&D Centre
West Road
Wigton
Cumbria
England
CA7 9XX

Strategic report

The Directors present their strategic report for the year ended 31 December 2020.

Strategy and objectives

The strategy for Innovia Films Limited (the company) involves the following key elements:

- Pursuit of attractive growth opportunities across our business segments
- Increasing production capacity in order to serve growing demand in new and existing markets
- Continued focus on new product development
- Continued emphasis on maintaining and developing our customer relationships
- On-going implementation of raw material, other cost reduction and production efficiency initiatives

Review of business

The company is a major producer of Biaxially Oriented Polypropylene (BOPP) films. It holds a leading global position in the markets for labels and security films, coated packaging and overwrap films.

Financial performance

Full details of the Company's results are shown in the attached financial statements. The Company made an operating profit of £15,877,000 (2019: £6,555,000). Total profits to be transferred to reserves were £12,227,000 (2019: £4,373,000).

Key performance indicators

The financial key performance indicators that are considered necessary for an understanding of the development, performance or position of the business are set out below:

	2020	2019
EBITDA (a)	£22,500,000	£14,519,000
Working capital % (b)	8%	15%

a) EBITDA = Earnings before interest, tax, depreciation and amortisation.

	2020 £'000	2019 £'000
Operating profit	15,877	6,555
Depreciation	6,461	6,174
Loss on disposal of tangible fixed assets	162	1,790
	<u>22,500</u>	<u>14,519</u>

Prior year operating profit includes a DB pension curtailment gain of £5,664,000.

Strategic report *(continued)*

Key performance indicators *(continued)*

- b) Year-end working capital as a % of annual turnover = Current assets less cash and amounts owed by subsidiary undertakings, less current liabilities (excluding amounts owed to ultimate parent and subsidiary undertakings) expressed as a percentage of turnover.

	2020 £'000	2019 £'000
Current assets less cash and amounts owed by subsidiary undertakings	37,814	38,767
Current liabilities (excluding amounts owed to ultimate parent and subsidiary undertakings)	(26,206)	(17,207)
	11,608	21,560
Turnover	142,996	142,780
	8%	15%
Working capital %	8%	15%

Principal risks and uncertainties

Factors that particularly impact upon the performance of the business include:

- Price volatility of specialised and commodity raw materials and energy – these prices can be subject to significant cyclical movements driven by the price of oil and general economic conditions. The Company has some ability to pass on higher input prices to its customers but this ability is, to a large extent, dependent on regional and specific market conditions. In addition the Company has the ability to hedge volatility through fixed price contracts and derivatives.
- Competition – sales volumes are subject to evolving competitive pressure. The Company responds to this pressure by maintaining very close contact with its customers and through product innovation.
- Supplier dependency and supplier credit availability – we depend upon a low number of single-source suppliers for certain raw materials. In addition a reduction in supplier credit could impact on our valued relationships with our suppliers and on the degree of financial liquidity available to the Company.
- Brexit - The Company engages in cross border trades both within and outside of the European Union and these have been largely unaffected post Brexit. The Company continues to carefully monitor the situation to ensure any trading implications are identified as they arise.
- Customer concentration – a limited number of customers account for a significant proportion of our sales revenues, and our revenue in some segments and profits could decrease if we lost one or more of these customers or suffered reputational damage in any way which reduced their desire to contract with the Company.
- Foreign currency fluctuations – the Company's operations are conducted in a range of different currencies and changes in exchange rates can impact financial results.
- Pension funding rates – as set out in the notes to the financial statements, the Company is subject to risk in respect of its defined benefit schemes arising from changing life expectancy assumptions and a variety of market factors beyond its control.

Strategic report *(continued)*

Corporate and social responsibility

Environmental matters

The Company is committed to conduct its business in a manner which will protect the environment, in accordance with all legal requirements and sound environmental management practices. The Company has practices in place for the continual review and improvement of its operations in order to reduce their environmental impact and use of resources.

Employee matters

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through formal and informal meetings and regular briefings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Innovia's people are its greatest asset. The Company welcomes and values diversity and difference and its employees come from a wide range of backgrounds. Innovia also has a distinct company culture and seeks out people who share its values, commitment and determination to be the best. Working in a variety of roles, its staff share a common goal: to deliver the innovative products demanded by its customers worldwide.

Going concern basis

Having considered the principal risks and uncertainties outlined above, the Company's business and financial forecasts, the impact on those forecasts of uncertainties and reasonably possible changes in the trading and prospects of the Company, together with the entity being profitable the Directors are of the view that it is appropriate to adopt the going concern basis in the preparation of the financial statements. Further details are included in the accounting policies in note 1 to these financial statements.

Covid-19

While COVID-19 continues to evolve, the Directors are monitoring developments closely, looking to mitigate the risk that it may have on the employees, customers and supply chain. To date, the site has remained open and at normal production volumes and is expected to continue to do so. The outbreak has had limited adverse effects on the operational and financial performance of the Company and is not expected to impact its ability to continue as a going concern. Further information can be found in note 1 (going concern basis of preparation).

Section 172

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, explains how Innovia Directors have engaged with employees, suppliers, customers and others; and have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to Innovia, and the level of information disclosed is consistent with the size and the complexity of the business.

Strategic report *(continued)*

Section 172 (continued)

The Company's stakeholders are considered to comprise of its employees, its customers, its supply chain partners, shareholders, regulators, as well as the wider community in which the company operates and impacts. Details of how the Board seeks to understand the needs and priorities of the Company's stakeholders and how these are taken into account during all its discussions and as part of its decision-making are set out below:

Employees

The Directors recognise that Innovia employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. The Directors recognise that our pensioners, though no longer employees, also remain important stakeholders.

Customers and Suppliers

Focusing on the needs of our customers is critical to the success of our business. We maintain a high degree of customer intimacy in order to anticipate and understand the future needs of our customers, building on our years of experience in delivering to our markets. We collaborate and innovate with our customers to improve product performance, service and value. Our suppliers are vital to our performance. We engage with them to build trusting relationships from which we can mutually benefit and to ensure they are performing to our standards and conducting business to our expectations.

Governing bodies and regulators

We engage with the national government agencies and key regulators to ensure that we can help shape policy, have licences to operate safely, enable market insight and ensure regulatory compliance. We work with local governments where we have operations or future business opportunities.

Communities

We are committed to building positive relations with the communities in which we operate. We support communities and groups, local and relevant to our operations.

Culture

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established honesty, integrity and respect for people as Innovia's core values. The General Business Principles, Code of Conduct, and Code of Ethics help everyone at Innovia act in line with these values and comply with relevant laws and regulations. The Innovia Commitment and Policy on Health, Safety, Security, Environment & Social Performance applies across Innovia and is designed to help protect people and the environment. We relentlessly pursue Goal Zero, our safety goal to achieve no harm and no leaks across all our operations. We also strive to maintain a diverse and inclusive culture.

The Board considers the Innovia People Survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to Innovia. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen Innovia culture and values.

Strategic report *(continued)*

Streamlined Energy and Carbon Reporting

Here follows the data prepared for Streamlined Energy and Carbon reporting requirements. Please read in conjunction with the notes that follow.

	2020 UK and offshore	2020 Global (excluding UK and offshore)
Data set A (note 2)		
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1)/ tCO ₂ e	72,586	-
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location- based)/ tCO ₂ e	25,593	-
Total gross Scope 1 & Scope 2 emissions/ tCO ₂ e	98,179	-
Energy consumption used to calculate above emissions: kWh	478,856,884	-
Intensity ratio: tCO ₂ e (gross Scope 1 + 2) / e.g. £100,000 revenue	2.07	n/a
Methodology	tonnes of CO ₂ equivalent divided by tonnes of finished product	n/a
Data set B (note 3)		
Emissions related to electricity and steam generated but sold to a third party (tCO ₂ e), reported as Scope 2 Emissions by other companies	-30,707	-
Energy consumption used to calculate above emissions: kWh	-169,825	-
Restated Emissions from activities for which the company own or control including combustion of fuel & operation of facilities with emissions related to Electricity and Steam production for 3rd Parties removed (Scope 1)/ tCO ₂ e	41,879	-
Restated Intensity ratio: tCO ₂ e (gross Scope 1 + 2) / e.g. £100,000 revenue	0.88	n/a
Methodology	tonnes of CO ₂ equivalent (for Innovia use only) divided by tonnes of finished product	n/a

Notes

1. Innovia Films Ltd shares a site with two other entities. The site steam demands are met by a Combined Heat and Power (CHP) facility owned and operated by Innovia Films Ltd. Some of the purchased fuel is used to

Strategic report *(continued)*

generate electrical power and steam within the CHP for the two other on site entities. They will report this as purchased heat and power (Scope 2) in their Streamlined Energy and Carbon report.

2. Data set A considers all fuel related to either Innovia Films Limited's own use or use within the CHP. It therefore includes fuel used for the production of all steam for the site, including that consumed and reported as scope 2 emissions by other on-site entities.
3. Data set B is the restated numbers, showing the deductions for the fuel used in the generation of this heat and electrical power and its associated losses, which restate the Intensity Ratio and Carbon Emissions to provide a measure of the energy and carbon performance for Innovia Films Limited alone. These have the impact caused by generation and supply of heat and power to other on site entities removed as far as possible. This avoids double counting across the entities.

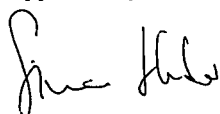
Action Plan

Throughout 2020, the company has invested in several projects to reduce energy use and carbon emissions. These include:

- 1) Installation of a comprehensive Flash Steam Recovery System.
 - a. This comprises a new Main Condensate Tank, two Vent Condensers and associated pipework, along with re-purposing old lines to gravity feed make-up water from the CHP, allowing the capture of flash steam energy normally vented to atmosphere.
 - b. A steam compressor unit has also been installed in Coating to generate 3barg steam from High Pressure Flash Steam.
- 2) Ongoing replacement of lighting with LED technology.
 - a. Planned lighting upgrades have reduced demand from lighting by 6.5Kw and other projects and upgrades have included lighting upgrades not captured in the 6.5Kw stated above.
- 3) Replacement of Chillers
 - a. Existing fixed speed chillers have been replaced with new equipment featuring single speed twin screw variable speed technology and which are designed to run at optimal efficiency for the normal required cooling load. Savings expected to be 1,309,746 KWh of electricity, which will reduce the companies carbon emissions by 305KgCO₂/annum.
 - b. In addition, the new chillers use R134a refrigerant, which contains no chlorine and hence does not have ozone depletion potential, compared to the previous R22 units.

Several projects are underway for 2021 including upgrades to our CHP facility to improve boiler efficiency and reduce losses in generation.

Approved by the Board and signed on its behalf by:



S A Huber
Director
01 September 2021

Directors' report

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditor's report, for the year ended 31 December 2020.

Principal activities

Innovia Films is a major producer of Biaxially Oriented Polypropylene (BOPP) films. It holds a leading global position in the markets for labels and security films, coated packaging and overwrap films.

Review and dividends

A review of the results can be found in the Strategic report. An interim dividend of £15,906,000 was paid in 2020 (2019: £6,781,000). The Directors recommend that no final ordinary dividend shall be paid (2019: £nil).

Post year-end, the Company has paid dividends totalling £7,729,311.

Employment consultation

The Company places considerable value on the contribution of its employees and further details can be found in the Strategic report.

Corporate governance

The Company is committed to high standards of corporate governance and has developed a set of values that it has communicated to all employees. The Company's policy framework provides a set of practical rules and procedures which staff are expected to adhere to and comply with.

Directors

The Directors who held office during the year and to the date of signing were:

G T Martin
W M Middleton (resigned 10th February 2020)
S A Huber

Disabled employees

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

Future developments

No changes in the activities of the Company are anticipated in the foreseeable future.

Research and development

The Company undertakes, where appropriate, research and development to meet particular market and product needs.

The Company continues to invest in research and development. The Directors regard investment in this area as a prerequisite for success in the medium to long term future of the business.

Political donations

The company made no political donations during the current or previous year.

Going concern basis

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for the period to 31 December 2022 which indicate that, taking account of reasonably possible downsides on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period

In coming to this conclusion the Directors have considered the following:

- The company has continued to trade as expected during COVID-19, with all national lockdowns issued during the pandemic having no impact on operating income and cash generation;
- The company has not seen any adverse impact on trading as a result of the United Kingdom leaving the European Union and does not expect to do so;
- The company has sufficient cash and is in a sufficient net current asset position;
- The company has no external or intra-group debt and is not reliant on other parties for funding;
- A severe but plausible downside, being a 15% reduction in forecast revenue and subsequent impact on operating profit and cash flow throughout the forecast period to 31 December 2022 does not change the conclusions reached.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least December 2022 and therefore have prepared the financial statements on a going concern basis.

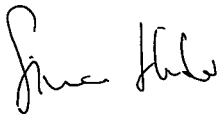
Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:



S A Huber
Director
01 September 2021

Lowther R&D Centre
West Road
Wigton, Cumbria
England, CA7 9XX

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOVIA FILMS LIMITED

Opinion

We have audited the financial statements of Innovia Films Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the statement of accounting policies in note 1.

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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the wider group's internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period, the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- For a sample of transactions recalculating year end revenue adjustments with reference to the terms and conditions of sale and proof of delivery.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Liam Finnigan (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square, Manchester, M2 3AE

01 September 2021

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	142,996	142,780
Cost of sales		<u>(111,654)</u>	<u>(125,098)</u>
Gross profit		31,342	17,682
Curtailment gain	20	-	5,664
Other operating expenses	4	<u>(15,465)</u>	<u>(16,791)</u>
Operating profit		15,877	6,555
Interest receivable and similar income	5	4,239	4,890
Interest payable and similar charges	6	<u>(4,694)</u>	<u>(5,688)</u>
Profit before tax	7	15,422	5,757
Tax	9	<u>(3,195)</u>	<u>(1,384)</u>
Profit for the financial year		<u><u>12,227</u></u>	<u><u>4,373</u></u>

The accompanying notes form part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Profit for the financial year		12,227	4,373
Other comprehensive income/(expense)			
Remeasurement of defined benefit liability	20	1,954	(16,934)
Deferred tax on remeasurement of defined benefit liability		(371)	2,879
Total other comprehensive income		1,583	(14,055)
Total comprehensive income		13,810	(9,682)

The accompanying notes form part of these financial statements.

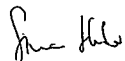
Balance sheet

Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	10	51,715	49,857
		<u>51,715</u>	<u>49,857</u>
Current assets			
Stocks	12	19,161	19,326
Debtors – due within one year	13	15,224	15,447
Debtors – due after one year	13	4,826	5,865
Cash and short term deposits	14	6,439	2,280
		<u>45,650</u>	<u>42,918</u>
Creditors: amounts falling due within one year	15	(29,161)	(20,452)
Net current assets		<u>16,489</u>	<u>22,466</u>
Total assets less current liabilities		68,204	72,323
Creditors: amounts falling due after more than one year	15	(550)	(550)
Net assets before pension liability		<u>67,654</u>	<u>71,773</u>
Pension liability	20	(25,202)	(27,225)
Net assets		<u><u>42,452</u></u>	<u><u>44,548</u></u>
Capital and reserves			
Called-up share capital	16	-	34,700
Share premium account		-	5,280
Profit and loss account		42,452	4,568
Total equity shareholders' funds		<u><u>42,452</u></u>	<u><u>44,548</u></u>

The accompanying notes form part of these financial statements.

The financial statements of Innovia Films Limited, (registered number 00271998), were approved by the Board of Directors and authorised for issue on 01 September 2021.



S A Huber
Director

Statement of changes in equity

Year ended 31 December 2020

	Called-up share capital £'000 (Note 16)	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	34,700	5,280	21,031	61,011
Profit for the financial year	-	-	4,373	4,373
Other comprehensive income	-	-	(14,055)	(14,055)
Total comprehensive income	-	-	(9,682)	(9,682)
Dividend paid	-	-	(6,781)	(6,781)
At 31 December 2019	<u>34,700</u>	<u>5,280</u>	<u>4,568</u>	<u>44,548</u>
Profit for the financial year	-	-	12,227	12,227
Other comprehensive income	-	-	1,583	1,583
Total comprehensive income	-	-	13,810	13,810
Share capital reduction	(34,700)	-	34,700	-
Share premium transfer	-	(5,280)	5,280	-
Dividend paid	-	-	(15,906)	(15,906)
At 31 December 2020	<u>-</u>	<u>-</u>	<u>42,452</u>	<u>42,452</u>
Set aside for dividends declared after the reporting period	-	-	(7,729)	(7,729)
Total	<u>-</u>	<u>-</u>	<u>34,723</u>	<u>34,723</u>

The accompanying notes form part of these financial statements.

Notes

1. Statement of accounting policies

Basis of accounting

Innovia Films Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 00271998 and the registered address is Lowther R&D Centre, West Road, Wigton, Cumbria, CA7 9XX.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The functional currency of Innovia Films Limited is considered to be sterling being that is the currency of the primary economic environment in which the company operates. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, CCL Industries Inc includes the Company in its consolidated financial statements. The consolidated financial statements of CCL Industries Inc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Suite 500, Gordon Baker Road, Framingham, Canada. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of CCL Industries Inc include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1. Statement of accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for the period to 31 December 2022 which indicate that, taking account of reasonably possible downsides on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period

In coming to this conclusion the Directors have considered the following:

- The company has continued to trade as expected during COVID-19, with all national lockdowns issued during the pandemic having no impact on operating income and cash generation;
- The company has not seen any adverse impact on trading as a result of the United Kingdom leaving the European Union and does not expect to do so;
- The company has sufficient cash and is in a sufficient net current asset position;
- The company has no external or intra-group debt and is not reliant on other parties for funding;
- A severe but plausible downside, being a 15% reduction in forecast revenue and subsequent impact on operating profit and cash flow throughout the forecast period to 31 December 2022 does not change the conclusions reached.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least December 2022 and therefore have prepared the financial statements on a going concern basis.

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Notes (continued)

1. Statement of accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

All exchange differences are included in the profit and loss account.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Pension liability

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance sheet.

Tangible fixed assets and depreciation

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is being charged by equal annual instalments, with the exception of the year in which the asset is first available for use when an amount proportionate to the period of the year for which the asset was in use is charged, so as to write off each asset's cost, less any residual value, over its anticipated economic life.

The following periods have been used in determining the amount of depreciation charged:-

Freehold land	Indefinite
Freehold buildings	33 years
Plant, machinery and motor vehicles	5 to 20 years

No depreciation is provided in respect of assets in the course of construction.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Research and development

Research and development expenditure is written off as incurred.

Notes (continued)

1. Statement of accounting policies (continued)

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. As the Company does not have investments in publicly traded equity instruments they are subsequently measured at the transaction cost less impairment in profit or loss.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised when the risks and rewards of ownership are transferred to the customer.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in the Statement of accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Critical estimates and assumptions that are applied in the preparation of the consolidated financial statements include:

Notes (continued)

2. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Depreciation and amortisation

The Company exercises judgement to determine useful lives and residual values of property and plant and equipment.

The assets are depreciated down to their residual values over their estimated useful lives.

Impairment

The Company tests annually whether its assets have suffered any impairment. Where required, recoverable amounts are calculated using the higher of fair value less cost to sell and value in use.

These tests require the use of judgements and estimates.

Pensions

The Company has a post-employment benefit obligation, the present value of which depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the post-employment benefit obligations. Key assumptions for post-employment benefit obligations are disclosed in Note 20.

Deferred taxation

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. The Company uses management's expectations of future revenue growth, operating costs, and profit margins to determine the extent to which future taxable profits will be generated to consume the deferred tax assets.

Reverse factoring

Some of the company's suppliers enter into reverse factoring arrangements resulting in the supplier's receivable from the company being purchased by a credit institution. As a result, the company pays the credit institution rather than the supplier. The Directors have taken a judgement that the amounts payable under this arrangement are appropriate to be presented as trade payables rather than bank borrowings despite the arrangement being with a credit institution. This is because the cost of this arrangement is borne by the supplier, it doesn't significantly change the terms of the amounts payable and the company does not pay any fees or provide additional security to the credit institution. Further disclosure is included in note 15.

Key sources of estimation uncertainty

Inventories

An inventory provision is booked for cases where the realisable value from sale of inventory is estimated to be lower than the inventory carrying value. The inventory provision is based on the age of the stock and management's experience of realisable values.

Notes (continued)

3. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity.

<i>Turnover by destination</i>	United Kingdom £'000	Europe £'000	USA £'000	Rest of World £'000	Total £'000
2020	<u>21,195</u>	<u>70,495</u>	<u>37,548</u>	<u>13,758</u>	<u>142,996</u>
2019	<u>19,248</u>	<u>71,579</u>	<u>36,609</u>	<u>15,344</u>	<u>142,780</u>

In the opinion of the Directors only one class of business exists.

4. Other operating expenses

	2020 £'000	2019 £'000
Distribution costs	(9,965)	(10,161)
Termination payments following restructure	-	(1,802)
Administrative expenses	<u>(5,500)</u>	<u>(4,828)</u>
Other operating expenses	<u>(15,465)</u>	<u>(16,791)</u>

Notes (continued)

5. Interest receivable and similar income

	2020 £'000	2019 £'000
<i>Interest receivable and similar income</i>		
Interest receivable - bank	365	17
Expected return on UK pension scheme assets (see Note 20)	3,868	4,862
Expected return on German pension scheme assets (see Note 20)	6	11
	4,239	4,890
	4,239	4,890

6. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest on UK pension scheme liabilities (see Note 20)	4,416	5,311
Interest on German pension scheme assets (see Note 20)	14	20
Exchange losses on foreign currency borrowings	264	357
	4,694	5,688
	4,694	5,688

7. Expenses and auditor's remuneration

	2020 £'000	2019 £'000
<i>Profit before tax is stated after charging/(crediting):</i>		
Depreciation and amounts written off tangible fixed assets - owned assets	6,461	6,174
- loss on disposal of tangible fixed assets	162	1,790
Research and development - current year expenditure	2,681	3,721
Exchange losses/(gains) on trading	521	(1,031)
Operating lease rentals - plant, machinery and motor vehicles	183	112
Audit fees		
- for audit services with respect to the company	97	90
Auditor's remuneration for other services		
- for services relating to tax compliance	8	11
	97	101
	97	101

Notes (continued)

8. Employees

	2020 £'000	2019 £'000
Wages and salaries	21,068	19,640
Social security costs	2,247	2,073
Pension costs (see Note 20)	2,141	3,682
	25,456	25,395
	2020 Number	2019 Number
Average monthly numbers employed, including Directors	504	563

During the year the company has completed a restructure exercise which has resulted in a fall in employee numbers.

	2020 £'000	2019 £'000
The total amounts for Directors' remuneration were as follows:		
Emoluments including benefits in kind	334	379
Money purchase pension contributions	2	15
	336	394

	2020 Number	2019 Number
The number of Directors to whom retirement benefits are accruing in respect of each of:		
Defined benefit schemes	-	1
Money purchase schemes	-	-
	-	1

	2020 £'000	2019 £'000
<i>Highest paid Director</i>		
The emoluments of the highest paid Director were	183	162
Pension contributions accruing to the highest paid Director	-	60

Compensation for loss of office totalling £64,000 was paid during the year (2019: £nil).

The Directors are paid by another Group company in respect of their services to the Company and other group companies. It is not considered practicable to allocate these payments between services provided to other group companies, and services provided in their capacity as directors to Innovia Films Limited.

Notes (continued)

9. Taxation

	2020	2019
	£'000	£'000
Analysis of tax charge / (credit) for the period		
Current tax		
UK Corporation tax at 19.00%	1,802	-
Group relief receivable	-	(670)
	1,802	(670)
Adjustments in respect of prior periods	35	69
	1,837	(601)
Deferred tax		
Origination and reversal of timing differences	1,154	1,598
Adjustments in respect of prior periods	204	388
	1,358	1,986
Total deferred tax charge / (credit)	1,358	1,986
Total tax credit to profit and loss for the year	3,195	1,384

The standard rate of tax applied to the reported profit on is 19.0% (2019: 19.0%).

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax is as follows:

	2020	2019
	£'000	£'000
Factors affecting the tax charge for the year:		
Profit before tax	15,422	5,757
Tax on profit on ordinary activities at standard CT rate of 19% (2018: 19%)	2,930	1,094
Effects of:		
Expenses not deductible for tax purposes	73	109
Income taxable in a prior period	-	(88)
Group relief surrendered / (claimed)	-	599
Payment / (receipt) for group relief	-	(599)
Adjustments to tax charge in respect of previous periods	35	69
Adjustments to tax charge in respect of previous periods – deferred tax	204	388
Timing differences not recognised in the computation	(47)	-
Difference in current and deferred tax rate	-	(188)
	(47)	-
Total tax credit to profit and loss for the year	3,195	1,384

Notes (continued)

9. Taxation (continued)

There is no expiry date on timing differences, unused tax losses or tax credits.

	2020 £'000	2019 £'000
Tax included in the statement of total recognised gains and losses		
Origination and reversal of timing differences	371	(2,879)
	371	(2,879)
Tax included in the statement of total recognised gains and losses	371	(2,879)

10. Tangible fixed assets

	Freehold land and buildings £'000	Plant, machinery and motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 January 2020	17,121	135,388	4,714	157,223
Additions	-	-	8,481	8,481
Disposals	(2)	(4,465)	-	(4,467)
Completion of assets under construction	2,722	5,497	(8,219)	-
	19,841	136,420	4,976	161,237
At 31 December 2020	19,841	136,420	4,976	161,237
Depreciation				
At 1 January 2020	(11,198)	(96,168)	-	(107,366)
Charge for the year	(824)	(5,637)	-	(6,461)
Disposals	2	4,303	-	4,305
	(12,020)	(97,502)	-	(109,522)
At 31 December 2020	(12,020)	(97,502)	-	(109,522)
Net book value				
At 31 December 2020	7,821	38,918	4,976	51,715
At 31 December 2019	5,923	39,220	4,714	49,857

Notes (continued)

11. Investments

During the year, the following subsidiary which was wholly owned, incorporated and operated in England was dissolved:

Innovia Sidac Limited - registered office, Pioneer Way, Castleford, Yorkshire, United Kingdom, WF10 5QU

At 31 December 2020, the Company had no subsidiaries.

12. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	6,469	6,637
Work in progress	3,433	2,706
Finished goods and goods for resale	9,259	9,983
	<u>19,161</u>	<u>19,326</u>

Notes (continued)

13. Debtors

	2020 £'000	2019 £'000
Amounts falling due after more than one year:		
Deferred taxation (Note 18)	4,826	5,865
	4,826	5,865
	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	9,985	9,891
Amounts owed by the ultimate parent Company and its subsidiary undertakings	1,396	958
VAT	619	501
Other debtors	1,428	1,830
Prepayments and accrued income	827	810
Corporation tax	969	1,457
	15,224	15,447
Total debtors	20,050	21,312

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. Cash and short term deposits

	2020 £'000	2019 £'000
Cash at bank and in hand	6,439	2,280
	6,439	2,280

Notes (continued)

15. Creditors: Amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	22,885	14,585
Amounts owed to the ultimate parent Company and its subsidiary undertakings	2,956	3,245
Other tax and social security	564	593
Other creditors	2,073	995
Accruals and deferred income	683	1,034
	29,161	20,452

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included within trade payables are balances totalling £8.7m that are subject to an arrangement between our suppliers and a credit institution.

Creditors: Amounts falling due after more than one year

	2020	2019
	£'000	£'000
550,000 5.25% £1 cumulative preference shares (non-equity)	550	550
	550	550

The 5.25% £1 cumulative preference shares are all held by the parent Company. Shareholders are not entitled to vote at a General Meeting unless dividends are in arrears or the business of the meeting affects the rights attaching to the shares or the borrowing power of the Directors.

On a winding up the shareholders are entitled to be repaid in full, including arrears of dividends, together with a premium of 5p per share, in priority to ordinary shareholders.

The holders of the preference shares have waived all arrears of dividends to which they are entitled, and the current year dividend.

16. Called-up share capital

	2020	2019
	£'000	£'000
Allotted, issued and fully paid:		
34,700,001 Ordinary shares of £0.000000288184429735319 each (equity)	1	34,700
	1	34,700

During the year the company converted £34,700,000 of share capital and £5,279,750.50 of share premium to reserves.

Notes (continued)

17. Future capital expenditure

	2020 £'000	2019 £'000
<i>Tangible assets</i>		
Contracted but not provided for in the financial statements	4,801	5,132
	<u>4,801</u>	<u>5,132</u>

18. Deferred tax

	2020 £'000	2019 £'000
Movement in provision		
Deferred tax asset at start of period	(5,865)	(4,971)
Deferred tax charged in the profit and loss account for the period (Note 9)	1,358	1,985
Deferred tax charged in the statement of total recognised gains and losses	371	(2,879)
Adjustment to deferred tax rate 19%	(690)	-
Deferred tax asset at end of period	<u>(4,826)</u>	<u>(5,865)</u>
Deferred tax (asset) / liability not recognised	<u>-</u>	<u>(100)</u>
	2020 £'000	2019 £'000
Provision for deferred tax		
Fixed asset timing differences	(466)	(1,359)
Short term timing differences	413	65
Pension liability timing differences	<u>(4,773)</u>	<u>(4,571)</u>
Total deferred tax (asset) / liability	<u>(4,826)</u>	<u>(5,865)</u>

The UK Budget on 11th March 2020 confirmed that the UK Corporation Tax rate will remain at 19%. As a result, the deferred tax balances have been calculated at the 19% rate (2019: 17%)

At the March 2021 budget, which has yet to be substantively enacted, the government announced that the corporation tax rate would be increased to 25% from 19% for 2023 onwards. Until this budget has been enacted, 19% will continue to be used to measure any deferred tax assets and liabilities in future reporting periods.

Notes (continued)

19. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Expiring		
Within 1 year	5	14
Within 2-5 years	537	570
	<u>542</u>	<u>584</u>

20. Pension liability

UK Defined benefit pension scheme

The Company operates a Final Salary defined benefit pension scheme in the UK. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Scheme ceased all future service benefit accrual with effect from 6 April 2019.

The most recent formal actuarial valuation was carried out as at 31 December 2019. The results of this valuation have been updated to 31 December 2020 by a qualified independent actuary. The assumptions used were as follows:

Financial assumptions

	2020	2019
Discount rate	1.4%	2.1%
Index inflation:		
- RPI	2.9%	3.2%
- CPI	2.25%	2.2%
Salary increases	n/a	n/a
Pension increases:		
- Pre 6 April 1997 benefits	1.4%	1.5%
- 6 April 1997 to 5 April 2005 benefits	2.85%	3.05%
- Post 5 April 2005 benefits	2.0%	2.1%
Rate of increase for deferred pensions	<u>2.25%</u>	<u>2.2%</u>

Demographic assumptions

The actuarial valuation is based on specific mortality tables as follows:

	2020	2019
Commutation	95% of members take the maximum amount of tax free cash at retirement	95% of members take the maximum amount of tax free cash at retirement
Life expectancy for an individual aged 65		
Males	20.9	20.8
Females	22.9	22.7
Life expectancy at age 65 for an individual aged 45		
Males	22.2	22.4
Females	24.4	24.2

Notes (continued)

20. Pension liability (continued)

Assets

	2020 £'000	2020 %	2019 £'000	2019 %
Equities	123,918	59.0	123,461	66.2
Bonds	74,825	35.7	62,094	33.3
Cash	2,296	1.1	800	0.5
Other	8,806	4.2		
	<u>209,845</u>	<u>100.0</u>	<u>186,355</u>	<u>100.0</u>
The actual return on assets over the period was	<u>24,001</u>		<u>16,205</u>	

The assets of the Scheme are invested in a diversified portfolio.

	2020 £'000	2019 £'000
Market value of assets	209,845	186,355
Present value of liabilities	(234,100)	(212,800)
Deficit in the Scheme	<u>(24,255)</u>	<u>(26,445)</u>

Analysis of changes in the value of the Scheme liabilities over the year

	2020 £'000	2019 £'000
Value of liabilities at start of year	212,800	185,468
Current service cost	-	363
Curtailement gain	-	(5,664)
Past service cost	-	-
Interest cost	4,416	5,311
Member contributions	-	193
Benefits paid	(5,068)	(5,682)
Actuarial (gains) / losses	21,952	32,811
Value of liabilities at end of year	<u>234,100</u>	<u>212,800</u>

Notes (continued)

20. Pension liability (continued)

Analysis of changes in the value of the Scheme assets over the year

	2020 £'000	2019 £'000
Market value of assets at the start of the year	186,355	169,966
Administrative expenses	(311)	(432)
Interest income	3,868	4,862
Remeasurement: actuarial gains	24,001	16,205
Contributions by employers	1,000	1,243
Contributions by member	-	193
Benefits paid	(5,068)	(5,682)
	<u>209,845</u>	<u>186,355</u>

Amounts recognised in profit and loss

	2020 £'000	2019 £'000
Analysis of amounts recognised in operating profit		
Current service cost	-	363
Past service cost and curtailment	-	(5,664)
Administration expenses	311	432
	<u>311</u>	<u>(4,869)</u>

Analysis of amounts charged/(credited) to finance (income)/expense

Interest cost	4,416	5,311
Interest income	(3,868)	(4,862)
	<u>548</u>	<u>449</u>
Net debit to finance expense		
	<u>859</u>	<u>(4,420)</u>

Amounts recognised in Statement of Comprehensive Income

	2020 £'000	2019 £'000
Actuarial gains/(losses)	2,049	(16,606)
	<u>2,049</u>	<u>(16,606)</u>
Total amount recognised in Statement of Comprehensive Income		

Notes (continued)

20. Pension liability (continued)

Guaranteed Minimum Pensions

On 26 October 2018 a court ruling confirmed that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. An allowance of 0.3% is included in the liabilities to allow for the expected impact of this element of GMP equalisation. Following on from the original ruling in 2018, a further High Court ruling on 20 November 2020 provided clarification on the obligations of pension plan trustees to equalise past transfer values allowing for GMP equalisation. The original allowance only considered current members who had GMP liabilities within the scheme (not members who have died without a spouse or members who have transferred out for example).

The approximate impact of equalising past transfers from the Scheme has been estimated as being very unlikely to be material and as such no allowance has been made for this in the year end valuation.

Change in Scheme rules

The Scheme Trust Deed and Rules have been consolidated to incorporate all deeds of amendments and statutory changes since the scheme was initiated in 2005; the changes have been agreed and signed on 12 January 2021 by all stakeholders after legal review by both the Scheme and Company advisers. Following the agreement of the 31.12.2019 valuation, the existing Deed of Guarantee was amended with the maximum amount being increased from the original £30m to £80m; the deed was signed on 22 October 2020 ahead of the formal finalisation and confirmation of the valuation results to the Pensions Regulator.

Change in RPI methodology

The methodology for determining the break-even RPI inflation rate has changed. At the prior year end, this assumption was set using the Bank of England spot inflation curve at a duration of 20 years. This year it has changed to use a cashflow-weighted RPI inflation rate, derived using the full Bank of England inflation curve as at 31 December 2020 and based on expected cash flows for a Scheme with duration of 20 years. The estimated impact of the change in approach is expected to be a c. 2.4% (£5.6m) reduction in the Defined Benefit Obligation compared with adopting an assumption consistent with the previous year end.

Future funding obligation

The last actuarial valuation of the Scheme was performed by the Actuary for the Trustees as at 31 December 2019. In respect of the shortfall, the Company agreed to pay level contributions of £1,200,000 per annum from 1 January 2021 to 31 December 2031 inclusive.

The Company expects to pay £1.2 million into the Scheme during the accounting period beginning 1 January 2021.

Notes (continued)

20. Pension liability (continued)

Germany Defined benefit pension scheme

The company also operates a defined benefit scheme in Germany was transferred over from another group company during 2018.

The scheme is denominated in Euros. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Scheme is closed to new entrants and has one active member.

Financial assumptions

	2020	2019
Discount rate	0.65%	1.00%
Salary increases	2.5%	2.5%
Rate of increase to pensions in payment	1.5% pa	1.5% pa

Assets

	2020 €'000	2019 €'000
Market value of assets	706	693
Present value of liabilities	(1,767)	(1,612)
Deficit in the Scheme	(1,061)	(919)

Analysis of changes in the value of the Scheme liabilities over the year

	2020 €'000	2019 €'000
Value of liabilities at start of year	1,612	1,191
Current service cost	33	22
Interest cost	16	23
Benefits paid	(18)	(18)
Actuarial losses/(gains)	124	394
Value of liabilities at end of year	1,767	1,612

Notes (continued)

20. Pension liability (continued)

Analysis of changes in the value of the Scheme assets over the year

	2020 €'000	2019 €'000
Market value of assets at the start of the year	693	681
Interest income	7	13
Return on plan assets	17	10
Contributions by employers	7	7
Benefits paid	(18)	(18)
	<u>706</u>	<u>693</u>
Market value of assets at the end of the year	<u>706</u>	<u>693</u>

Amounts recognised in profit and loss

	2020 €'000	2019 €'000
Analysis of amounts charged to operating profit		
Current service cost	33	22
	<u>33</u>	<u>22</u>
Net charge to operating profit	<u>33</u>	<u>22</u>

Analysis of amounts charged/(credited) to finance (income)/expense

Interest cost	16	23
Interest income	(7)	(13)
	<u>9</u>	<u>10</u>
Net debit to finance expense	<u>9</u>	<u>10</u>
Total profit and loss charge before deduction for tax	<u>42</u>	<u>32</u>

Amounts recognised in Statement of Comprehensive Income

	2020 €'000	2019 €'000
Actuarial (losses) / gains	(107)	(394)
Total amount recognised in Statement of Comprehensive Income	<u>(107)</u>	<u>(394)</u>

Notes (continued)

20. Pension liability (continued)

Reconciliation to balance sheet

	2020	2019
	£'000	£'000
UK defined benefit pension scheme	24,255	26,445
German defined benefit scheme at year end exchange rate	947	780
	<u>25,202</u>	<u>27,225</u>
Total net obligation	<u>25,202</u>	<u>27,225</u>

Reconciliation to amounts recognised in Statement of Comprehensive Income

	2020	2019
	£'000	£'000
Actuarial gains/(losses) - UK defined benefit pension scheme	2,049	(16,606)
Actuarial (losses)/gains - German defined benefit pension scheme	(95)	(328)
	<u>1,954</u>	<u>(16,934)</u>
Total net obligation	<u>1,954</u>	<u>(16,934)</u>

Defined contribution scheme

The Company also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £1,506,828 (2019: £1,360,216).

21. Subsequent events

Post year end dividends of £7,729,311 have been paid.

22. Ultimate parent company and controlling entity

The company is a subsidiary undertaking of CCL Syrx (UK) Limited. The ultimate controlling party is CCL Industries Inc.

The largest group in which the results of the company are consolidated is that headed by CCL Industries Inc, a company incorporated in Canada. The consolidated financial statements of this group are available to the public and can be obtained from 111 Gordon Baker Road, Suite 801, Toronto, ON M2H 3R1, Canada.