

Essentra International Limited

Strategic report, Directors' report and financial statements

Registered number 1172804

31 December 2019



Contents

	Page
Strategic report	1
Directors' report	2
Independent auditors' report to the members of Essentra International Limited	5
Income statement	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Strategic report

Principal activities and business review

The Company is a wholly owned subsidiary of Essentra plc and its principal activity during the year was the co-ordination and management of its wholly owned subsidiary undertakings. The Company incurs costs in relation to the head office function of the Essentra group, including remuneration for the key executive management of Essentra plc.

The Company's profit before taxation has increased to £20,001,000 (2018: £2,423,000). This was primarily due to an increase in dividends received from investments which was partially offset by an increase in exceptional and other adjusting items. Profitability was also impacted by increased administrative costs, primarily employee driven as performance related targets were met by the group as a whole.

The Company's net asset position has increased to £335,821,000 from £306,291,000, driven by dividends received from subsidiaries in excess of operating losses.

The activities of the Company are in line with the operational strategy of Essentra plc, of which Essentra International Limited is a subsidiary. Further details of Essentra plc's group strategy can be found in the group Business Review on pages 2 to 19 of the Strategic Report of the Essentra plc Annual Report 2019. The Essentra plc Annual Report 2019 does not form part of this report, but is referred to where relevant for the purposes of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Essentra group and are not managed separately. The principal risks and uncertainties of the Essentra group, which include those of the Company, are discussed on pages 34 to 48 of the Essentra plc Annual Report 2019.

Financial risk management

The Company's ultimate parent during the year, Essentra plc, managed the interest rate, price and liquidity risks associated with the whole group, details of which can be found in the financial risk management disclosure note on pages 158 to 163 of the Essentra plc Annual Report 2019.

Key performance indicators

During the year, the Directors of Essentra plc managed the group's operations on a group and Divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Environment

The Company is committed to continuous improvement in its environmental performance and applies a structured approach to monitoring its environmental impact through a number of different processes, details of which can be found in the Corporate Responsibility Report of the Essentra plc Annual Report 2019 on pages 27 and 29.

Health and safety

The Company's overriding commitment in the workplace is to the health and safety of its employees and all those who visit the Company's operations. On page 26 of the Essentra plc Annual Report 2019 are further details of the health and safety policies in place across the group and in the Company.

By order of the board



Emma Reid
Company Secretary

17 July 2020

Registered Office:
Avebury House
201-249 Avebury Boulevard
Milton Keynes
MK9 1AU

Directors' report

for the year ended 31 December 2019

The Directors present their Directors' report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the financial year was £27,761,000 (2018: £7,315,000).

There have been no dividends paid to the holder of the ordinary share capital (2018: £nil). Dividend income of £65,142,000 (2018: £30,012,000) was received from the subsidiaries. The Directors do not propose the payment of a final dividend (2018: £nil).

Directors

The Directors who held office during the year and up to the date of this report were as follows:

J Green

L Liu

Employees

Essentra employees are a vital resource in the pursuit of operational excellence and the provision of quality products and service to its customers. Employees are encouraged to get involved with the Company's performance through employee share schemes and other means. The Company uses various communication channels to bring the financial and economic factors effecting performance to the attention of its employees. Further details of employee programmes and policies, including gender diversity, and share schemes can be found in the Corporate Responsibility Report of the Essentra plc Annual Report 2019 on pages 20 to 25.

The Company is fully aware of and takes seriously its responsibilities to keep all employees informed of all matters of concern to them and to consult them so that their views can be considered when making decisions likely to affect their interests. To this end the Company has procedural arrangements with recognised trade unions for the regular consultation and negotiation of matters concerning their members' interests. Regular meetings are also held with employees, at which Company performance and other matters related to its activities are discussed. Each employee is also issued with a handbook which details the Company's personnel and employment policies.

Throughout its activities the Company supports human rights as set down by the United Nations Declaration and its International Labour Organisation conventions.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities 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 appropriate training arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

Policy and practice on payment of creditors

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions.

COVID-19

Since the outbreak of the Covid-19 pandemic, regular reviews have been held by the Board and executive management of Essentra plc to closely monitor and manage the group's business and liquidity position. The experience since the outbreak to date provides a good basis for the Board to consider and assess the impact of Covid-19, including demonstration of the group's capability to respond in a positive manner in managing the key priorities identified for this uncertain time – safeguarding employees, supporting customers and managing cash flows. The Board is comfortable with the robustness and appropriateness of business response and the group's ability to maintain a strong level of liquidity since the outbreak.

Directors' report

for the year ended 31 December 2019 (continued)

COVID-19 (continued)

The group continues to proactively work on protecting its trading and cash flow position by assessing a number of mitigation levers within its control, such as discretionary spend and capex. This decisive cost action combined with the group's strong liquidity position, provides a robust basis for the group to weather these unprecedented trading conditions. The group has a strong balance sheet with a liquidity position and capital structure that is well placed to absorb an extended period of uncertainty.

Operations for the company are predominately based at its Head Office location in Milton Keynes. Shortly after the pandemic was declared 11th March 2020 by the the World Health Organisation ("WHO"), the Head Office building was closed, and has remained closed to the date of approval of these financial statements. Despite the closure of the Head Office function, operations have continued as normal, as arrangements were put in place by the company for all employees to work from home. The directors of the company concluded that from the company's prospective, this global pandemic is a non adjusting post balance sheet event.

Going concern

The Company participates in the Essentra group centralised treasury arrangements and therefore shares banking arrangements with its parent and fellow UK subsidiaries. The Directors have no reason to believe that a material uncertainty exists that casts significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis that Essentra plc has agreed in writing to provide financial and other support to the Company for the twelve months from the date of approval of these financial statements, the Company's Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Since the balance sheet date, the Essentra group has been actively monitoring its trading and cash flow positions to steer the business thorough the challenging macro economic conditions created by the Covid-19 pandemic. The group uses scenario planning to assess its ability to continue to operate as a going concern for the immediate and long term based on a variety of possible future events. Based on the forecasts prepared by management supported by the scenario planning exercise outlined above, the directors have concluded that the group will remain a going concern even in the event of potential severe downside scenarios materialising.

Future outlook

The investments in trading companies with an international presence is expected to continue in the Company. For further details of the group's outlook please refer to the group Business Review section of the Essentra plc Annual Report 2019 on pages 2 to 19.

Political and charitable donations

The Company made charitable donations of £2,500 during the year (2018: £4,000).

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2018: £nil).

Directors' indemnities

During the financial year and at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a Director or officer of the Company.

Directors' report

for the year ended 31 December 2019 (continued)

Directors' statement as to disclosure of information to the auditors

In the case of each Director in office at the date the Directors' Report is approved:

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the Directors are required to:

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

The directors are 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.

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.

By order of the Board



Emma Reid
Company Secretary

17 July 2020

Registered Office:
Avebury House
201-249 Avebury Boulevard
Milton Keynes
MK9 1AU

Independent auditors' report to the members of Essentra International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Essentra International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report, Directors' report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Independent auditors' report to the members of Essentra International Limited (continued)

Reporting on other information (continued)

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Essentra International Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Katherine Birch-Evans

Katherine Birch-Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 July 2020

Income statement

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Administrative expenses		(50,288)	(42,893)
Other operating income	3	27,894	27,994
		<hr/>	<hr/>
Operating loss before exceptional items	4	(22,394)	(14,899)
Exceptional and other adjusting items	5	(13,056)	(3,767)
		<hr/>	<hr/>
Operating loss		(35,450)	(18,666)
Income from group undertakings		65,142	30,012
Interest payable and similar expenses	8	(9,797)	(9,004)
Net finance income	21	106	81
		<hr/>	<hr/>
Profit before taxation		20,001	2,423
Tax on profit	9	7,760	4,892
		<hr/>	<hr/>
Profit for the financial year		27,761	7,315
		<hr/>	<hr/>

Statement of comprehensive income

for the year ended 31 December 2019

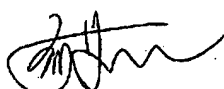
	<i>Note</i>	2019 £000	2018 £000
Profit for the financial year		27,761	7,315
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	21	(1,109)	1,657
Deferred tax credit/(charge) on remeasurement of defined benefit pension schemes	17,21	526	(281)
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		(583)	1,376
		<hr/>	<hr/>
Total comprehensive income for the year		27,178	8,691
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		27,178	8,691
		<hr/>	<hr/>

Balance sheet

at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	10	16,458	19,672
Intangible fixed assets	11	8,277	-
Lease right-of-use assets	12	1,975	-
Investments	13	448,765	453,255
Employee benefits	21	3,422	4,478
		<u>478,897</u>	<u>477,405</u>
Current assets			
Debtors	14	25,285	55,444
Cash at bank and in hand		918	677
		<u>26,203</u>	<u>56,121</u>
Creditors: amounts falling due within one year	15	(164,866)	(227,235)
Lease liabilities falling due within one year		(549)	-
Provisions for liabilities	16	(2,300)	-
		<u>(167,715)</u>	<u>(227,235)</u>
Net current liabilities		<u>(141,512)</u>	<u>(171,114)</u>
Lease liabilities falling due greater than one year		(1,564)	-
Net assets		<u>335,821</u>	<u>306,291</u>
Capital and reserves			
Called up share capital	18	243,068	243,068
Share premium		40,559	40,559
Retained earnings		52,194	22,664
Total shareholders' funds		<u>335,821</u>	<u>306,291</u>

The financial statements on pages 8 to 40 were approved by the board of Directors on 17 July 2020 and were signed on its behalf by:



L Liu
Director

Statement of changes in equity

for the year ended 31 December 2019

	Note	Called up share capital £000	Share premium £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 January 2018		243,068	40,559	11,226	294,853
Profit for the year		-	-	7,315	7,315
Other comprehensive income for the year		-	-	1,376	1,376
Total comprehensive income for the year		-	-	8,691	8,691
Equity dividend paid	19	-	-	-	-
Credit in relation to share-based incentives	22	-	-	2,747	2,747
Tax relating to share-based incentives		-	-	-	-
Balance at 31 December 2018		243,068	40,559	22,664	306,291
Impact on adoption of IFRS 16		-	-	(138)	(138)
Restated balance at 1 January 2019		243,068	40,559	22,526	306,153
Profit for the year		-	-	27,761	27,761
Other comprehensive income for the year		-	-	(583)	(583)
Total comprehensive income for the year		-	-	27,178	27,178
Credit in relation to share-based incentives	22	-	-	2,490	2,490
Balance at 31 December 2019		243,068	40,559	52,194	335,821

Notes to the financial statements

for the year ended 31 December 2019

1 Accounting policies

The Company is incorporated and domiciled in the United Kingdom under the Companies Act. The country of domicile is also the United Kingdom. The address of the registered office is Avebury House, 201-249 Avebury Boulevard, Milton Keynes, MK9 1AU, England. The Company is a private company limited by shares.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These accounts have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101 and are prepared on a going concern basis. These accounts are prepared under the historical cost convention.

The Company is exempt by virtue of Section 400 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.

The Company's ultimate parent undertaking, Essentra plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Essentra plc are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRSs issued by IASB are available to the public and may be obtained from the registered office of Essentra plc at Avebury House, 201-249 Avebury Boulevard, Milton Keynes, MK9 1AU.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of *International Financial Reporting Standards* as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of paragraph 45(b) and 46-52 of IFRS 2 *Share-Based Payment*;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- the requirement of IFRS 7 *Financial Instruments: Disclosures*;
- the requirement of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 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; and

Notes to the financial statements

for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

Where required, equivalent disclosures are given in the consolidated financial statements of Essentra plc.

Going concern

The Company participates in the Essentra group centralised treasury arrangements and therefore shares banking arrangements with its parent and fellow UK subsidiaries. The Directors have no reason to believe that a material uncertainty exists that casts significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis that Essentra plc has agreed in writing to provide financial and other support to the Company for the twelve months from the date of approval of these financial statements, the Company's Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Since the balance sheet date, the Essentra group has been actively monitoring its trading and cash flow positions to steer the business through the challenging macro economic conditions created by the Covid-19 pandemic. The group uses scenario planning to assess its ability to continue to operate as a going concern for the immediate and long term based on a variety of possible future events. Based on the forecasts prepared by management supported by the scenario planning exercise outlined above, the directors have concluded that the group will remain a going concern even in the event of potential severe downside scenarios materialising.

New standards, amendments and IFRIC interpretations

During the year the Company adopted IFRS 16: *Leases*. The quantitative impact of IFRS 16 on the Company's retained earnings at 1 January 2019 was a reduction of £138,000.

No other new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 had a material impact on the Company.

IFRS 16 Leases

IFRS 16 Leases which is effective from 1 January 2019, eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. In this model a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and present depreciation of lease right-of-use assets separately from interest as a result of unwinding of discount on lease liabilities in the income statement.

The company performed an impact assessment of adopting this accounting standard, which involved collating information on lease obligations and contractual arrangements across the company. This data was then used to compare the impact of the new standard under different transitional options.

The company decided to select the modified retrospective approach on transition primarily on grounds of practicality. Under this approach, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment as at 1 January 2019.

Under this transition option a methodology for determining the incremental borrowing rate has been developed to calculate the initial lease liability for each lease. This methodology incorporates three key elements; risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for the company) and an asset class adjustment (reflecting the variation in risk between asset categories).

Notes to the financial statements

for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

IFRS 16 Leases (continued)

Transition to IFRS 16

The impact on the balance sheet (increase/(decrease)) as at 1 January 2019 is as follows:

	£000
Assets	
Right-of-use assets	2,081
Prepayments and deferred income	(2)
Liabilities	
Lease liabilities	(2,220)
Accruals and deferred income	3
Net impact on equity	(138)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement. Exchange differences arising from movements in spot rates are included in the income statement as exchange gains or losses. These exchange gains or losses are presented within Administration expenses on the face of the income statement.

Exchange gains or losses arising from the interest differential elements of forward currency contracts are included in external interest income or expense.

Interest income and expense

Interest income and expense is recognised in the income statement as it accrues.

Exceptional and other adjusting items

The exceptional and other adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are shown as a separate line item within operating profit on the face of the income statement in order for the reader to obtain a clearer understanding of the results from ongoing operations. By excluding the impact of items which, in management's view, do not form part of the company's operating results, such as significant restructuring and closure costs and other items which are non-recurring or one-off in nature.

(i) Acquisition integration and restructuring costs

Costs relating to the integration of acquired businesses and restructuring associated with acquisitions and reorganisation of the company's organisational structure. These include costs in relation to senior management restructuring and for external consultancy and project costs.

(ii) Other exceptional items

Costs relating to the disposal of investments, impairment of investments and exceptional past service cost arising from the UK defined benefit scheme (see note 21). Impairments of investment are to the extent that the carrying amount of the investment is reflective of the underlying value of its subsidiaries.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Taxation

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income.

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

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet dates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tangible fixed assets and depreciation

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items. The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Tangible fixed assets are depreciated over their estimated remaining useful lives on a straight line basis at the following annual rates:

Fixtures, fittings and equipment	10-33%
----------------------------------	--------

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Intangible assets and amortisation

Development costs

Amortisation is provided to write off the cost of software and eCommerce development costs on a straight-line basis over their estimated useful lives at an annual rate of between 10% and 33%.

Lease liabilities and lease right-of-use assets

Rentals associated with leases that are of low-value or less than 12 months in length are expensed to the income statement on a straight line basis. The associated lease incentives are amortised in the income statement over the life of the lease.

Leases greater than 12 months in length, and those not of low value, are recognised as a lease right-of-use asset with the associated future lease payment terms recognised as a lease liability. The right-of-use assets and the associated lease liabilities are recognised by unwinding the future lease payments at the rate implicit to the lease or, if the rate implicit to the lease cannot be readily determined, at the relevant incremental borrowing rate.

The lease right-of-use assets are amortised over their useful lives or the lease term, whichever is shorter. The lease liabilities are derecognised by applying the future lease payments.

Pensions

(iii) *Defined contribution schemes*

Obligations for contributions to defined contribution pension schemes are expensed to the income statement as incurred.

(iv) *Defined benefit schemes*

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay.

The net obligations in respect of defined benefit pension schemes are calculated separately for the scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating to the terms of Essentra's obligations. The calculation is performed by a qualified independent actuary using the projected unit credit method. Net interest on defined benefit assets is presented within finance income, and net interest on defined benefit liabilities is presented within finance expense.

Actuarial gains and losses that have arisen are recognised in full in the statement of comprehensive income.

The amounts charged to operating profit are the current service cost, past service cost (including curtailments) and gains and losses on settlement.

The value of a net pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included at amortised costs in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise receivables in the balance sheet.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised accordingly using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Financial assets (continued)

The group applies the simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables, including those due in greater than 12 months, by making an accounting policy election. The expected loss rate estimated for each ageing period is as follows: Current: 0.5%, Overdue 1-30 days: 1%, Overdue 31-60 days: 5%, Overdue 61-90 days: 10%, Overdue 91-180 days: 25%, Overdue 181-360 days: 50% and Overdue over 360 days: 100%. The adoption of IFRS 9 does not have a significant impact on the Company.

Financial liabilities

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially recognised at fair value net of transaction costs incurred. They are subsequently held at amortised cost using the effective interest method.

Provisions

A provision is recognised when there is a probable legal or constructive obligation as a result of a past event and a reliable estimate can be made of the outflow of resources that will be required to settle the obligation. The outflow is the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Share-based payments

The share option programme allows employees to acquire shares of the ultimate parent company.

A charge is made in the income statement based on the fair value of option awards using the Monte Carlo or binomial valuation models and relevant quoted share price information with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant and vesting date of the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest with the exception of options that fail to vest because market conditions are not met.

Dividends

Dividends are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

Dividends from subsidiary undertakings and associated undertakings are accounted for in the period in which the shareholders' right to receive payment has been established and when, in the Directors' opinion, sufficient funds are available for payment. Dividends receivable are shown net of any underlying overseas taxation.

2 Critical accounting judgement and estimates

The following provides information on the policy that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position.

Exceptional and other adjusting items

Judgement is required to determine whether items should be included within exceptional and other adjusting items by virtue of their size or incidence.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

2 Critical accounting judgement and estimates (continued)

Impairment

The Company has tested investments in subsidiary undertakings for impairment which requires judgement when determining the recoverable amount. In determining the recoverable amount it is necessary to make a series of assumptions to estimate the present value of future cash flows in the subsidiary undertaking. When the carrying amount of the net assets held by the subsidiary undertaking are higher than the present value of its future cash flows, this value is deemed to be the recoverable amount. The assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Pensions

Defined benefit pension schemes are accounted for in accordance with IAS 19. The application of IAS 19 requires the exercise of judgement in relation to the assumptions used and for each assumption there is a range of possible outcomes (see note 21). In consultation with the Company's actuaries, management decides the point within those ranges that most appropriately reflects the Company's circumstances. Small changes to these assumptions can have a significant impact on valuations. The Company performs a sensitivity analysis for the significant assumptions used in determining post-retirement costs and liabilities, as detailed in note 21.

The Company's actuaries perform a group wide assessment that covers defined pension schemes for various group companies. The actuaries exercise judgement in relation to the assumptions used to allocate defined benefit assets and liabilities as well as the associated income and costs between the different legal entities included in the group assessment.

Leases and lease right-of-use assets

A key judgement on adoption of IFRS 16 is determining the incremental borrowing rates to be applied as at 1 January 2019. Management considers all factors that incorporate the three key elements: risk-free rate, credit spread and an adjustment to asset class. Increasing or decreasing the incremental borrowing rate by 1% will not have a material impact to the company.

Another key judgement in determining the right-of-use asset and lease liability is establishing whether it is reasonably certain that an option to extend the lease will be exercised. Distinguishing whether a lease will be extended or otherwise will have a material impact on the value of the right-of-use assets and lease liabilities recognised on the balance sheet, but may not have a material impact on the income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Compliance with US sanctions legislation

During the year, the company recognised certain costs in relation to a review of the compliance of certain group companies' export activities (in the Filters division) with US laws, for which the group is co-operating fully with the US Government. As a result of the investigations conducted by the group in response to US Government enquiries, the group has made a voluntary disclosure to the US Office of Foreign Assets Control.

During the year, the company provided for its current estimate of the expected financial penalties for sanction compliance failures, amounting to £2.3m (see note 16). In arriving at this estimate, management received professional advice from external consultants which took into account past experiences from previous cases. As the group continues to liaise with the US authorities, this estimate is subject to potential variability.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

3 Other operating income

	2019 £000	2018 £000
Management fees receivable from group companies	27,894	27,994

4 Operating loss before exceptional items

	2019 £000	2018 £000
Operating loss is stated after charging / (crediting):		
Personnel expense (see note 6)	23,231	19,892
Depreciation of tangible fixed assets (see note 10)	3,877	2,862
Amortisation of software (see note 11)	395	-
Depreciation of right-of-use assets (see note 12)	523	-
Foreign exchange expense/(gains)	408	(14)
Operating lease expense:		
Equipment	-	146
Property	-	366
Auditors' remuneration:	2019 £000	2018 £000
Audit of these financial statements	5	5
Non audit services	1	1

Non audit services relate to an annual subscription for technical financial reporting resources.

5 Exceptional and other adjusting items

	2019 £000	2018 £000
Acquisition integration and restructuring costs	8,895	2,611
Loss /(profit) on impairment of investments	-	508
Pension past service costs (see note 18)	-	440
Impairment of investments	4,161	208
Restructuring	13,056	3,767

The exceptional and other adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are shown as a separate line item within operating profit on the face of the income statement in order for the reader to obtain a clearer understanding of the results from ongoing operations. By excluding the impact of items which, in management's view, do not form part of the company's operating results, such as significant restructuring and closure costs and other items which are non-recurring or one-off in nature.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

5 Exceptional and other adjusting items (continued)

Restructuring costs during the current and prior years relate to exceptional costs arising from the reorganisation of the company's organisational structure. This included costs in relation to senior management restructuring and for external consultancy and project costs attributable to reviews into the various aspects of the group's operations, systems and processes under the strategic review. This included costs of in relation to the compliance of certain group companies' export activities with US laws, for which the group is co-operating fully with the US Government. As a result of the investigations conducted by the group in response to US Government enquiries, the group has made a voluntary disclosure to the US Office of Foreign Assets Control.

During the year, the investment in Micro Plastics International Limited has been impaired by £141,000 (2018: £208,000) and Nolato Hertila AB was impaired by £4,020,000 to the extent that the carrying amount of the investment is reflective of the underlying value of this subsidiary. The underlying value of these subsidiaries were reduced during the year as their trade and assets were transferred to other subsidiary undertakings.

Pension past service costs recognised during the prior year relate to a Guaranteed Minimum Pensions ("GMP") equalisation. These costs arose on equalising certain pension benefits between men and women in the UK schemes for the impact of GMP for the period between 17 May 1990 and 5 April 1997, following an external court ruling on the subject during the year.

6 Staff numbers and costs

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

	Number of employees	
	2019	2018
Administration and management	154	117
<hr/>		
The aggregate payroll costs of these persons included within operating profit were as follows:	2019	2018
	£000	£000
Wages and salaries	17,724	15,021
Social security costs	2,624	1,711
Other pension costs (note 21)	480	413
Share-based payments (note 22)	2,403	2,747
	<hr/>	<hr/>
	23,231	19,892
	<hr/>	<hr/>

In addition personnel expenses totalling £1,018,000,000 (2018: £1,746,000) was charged to exceptional operating items during the year. During the prior year personnel expenses included exceptional pension past services costs of £440,000.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

7 Remuneration of Directors

	2019 £000	2018 £000
Directors' emoluments	816	928
Pension costs	115	98
	<u>931</u>	<u>1,026</u>

Remuneration in respect of the highest paid director was £539,000 (2018: £563,000), which included pension contributions of £65,000 (2018: £8,000). The highest paid director exercised options and received shares under long-term incentive schemes in Essentra plc, the Company's immediate and ultimate parent company. The highest paid director has not participated in the defined benefit pension scheme. Further details about Directors remuneration can be found in the Remuneration section of the Directors Report of the Essentra plc Annual Report 2019 on pages 93 to 111.

	Number of Directors 2019	2018
Number of Directors accruing retirement benefits under defined contribution schemes	<u>2</u>	<u>3</u>
The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes	<u>2</u>	<u>3</u>

8 Interest payable and similar expenses

	2019 £000	2018 £000
Payable to group undertakings	9,744	9,004
Interest on lease liabilities	53	-
Interest payable and similar expenses	<u>9,797</u>	<u>9,004</u>

9 Tax on profit

a) Amounts credited/(charged) in the income statement

	2019 £000	2018 £000
Current tax	6,501	3,030
Adjustments in respect of prior periods	1,393	(1,040)
	<u>7,894</u>	<u>1,990</u>
Deferred tax (note 14)	(134)	2,902
Tax credit on profit	<u>7,760</u>	<u>4,892</u>

Notes to the financial statements

for the year ended 31 December 2019 (continued)

9 Tax on profit (continued)

b) Tax relating to items charged to the other comprehensive income

	2019 £000	2018 £000
Deferred tax (credit) / charge on remeasurement of defined benefit pension scheme	(526)	281
Tax (credit) / charge in the statement of comprehensive income	(526)	281

c) Factors affecting the tax credit for the year

The total tax credit on profit before tax differs to the theoretical amount that would arise using the standard rate of corporation tax in the UK of 19% (2018: 19%). The tax credit is lower than (2018: credit lower than) the standard rate and the differences are explained below:

	2019 £000	2018 £000
Profit before taxation	20,001	2,423
Tax charge on profit on at 19% (2017: 19.25%)	(3,800)	(461)
Effects of:		
Expenses not deductible for tax purposes	(2,221)	(372)
Adjustments in respect of prior periods	1,380	23
Change in tax rates	24	-
Dividend income not taxable	12,377	5,702
Total tax credit reported in the income statement (see above)	7,760	4,892

d) Change in corporation tax rate

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Subsequent to this finance bill, at budget 2020, the UK government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%. This tax rate has not been enacted and as a consequence the tax rate of 17% has been used for the purposes of deferred tax calculations. The difference between tax rates enacted at year end of 17% and the rates expected to be enacted as part of Finance Bill 2020 is not deemed to be material to the company.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

10 Tangible fixed assets

	Fixtures, fittings and equipment £000
Cost	
At beginning of year	27,183
Transfers	(2,869)
Additions	3,063
	<hr/>
At end of year	27,377
	<hr/>
Accumulated depreciation and impairment	
At beginning of year	(7,511)
Transfers	469
Charge for the year	(3,877)
	<hr/>
At end of year	(10,919)
	<hr/>
Net book value	
At 31 December 2019	16,458
	<hr/>
At 31 December 2018	19,672
	<hr/>

During the year ended 31 December 2019 capitalised software and development costs previously classified within Fixtures, fittings and equipment were identified within tangible fixed assets and transferred into intangibles fixed assets.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

11 Intangible fixed assets

	Software and development costs £000
Cost	
At beginning of year	-
Transfers	2,869
Additions	6,272
	<hr/>
At end of year	9,141
	<hr/>
Amortisation and impairment	
At beginning of year	-
Transfers	(469)
Charge for the year	(395)
	<hr/>
At end of year	(864)
	<hr/>
Net book value	
At 31 December 2019	8,277
	<hr/>
At 31 December 2018	-
	<hr/>

During the year ended 31 December 2019 capitalised software and development costs previously classified within Fixtures, fittings and equipment were identified within tangible fixed assets and transferred into intangibles fixed assets.

12 Lease right-of-use assets

	Property and machinery £000
Cost	
At beginning of year	2,803
Additions	461
Terminations	(140)
	<hr/>
At end of year	3,124
	<hr/>
Depreciation	
At beginning of year	(721)
Charge for the year	(523)
Terminations	95
	<hr/>
At end of year	(1,149)
	<hr/>
Net book value	
At 31 December 2019	1,975
	<hr/>
At 31 December 2018	2,082
	<hr/>

Notes to the financial statements

for the year ended 31 December 2019 (continued)

12 Lease right-of-use assets (continued)

Operating lease (IAS 17) commitments and opening lease liabilities reconciliation:

	£000
IAS 17 future operating lease commitments based on gross cash flows as at 31 December 2019	2,356
Add: adjustments due to different treatment of extension and termination options	(91)
	<hr/> 2,265
Discounted using the company's incremental borrowing rate	(45)
	<hr/> 2,220
Lease liability recognised as at 1 January 2019	
Of which are:	
IFRS 16 lease liability due within one year	491
IFRS 16 lease liability due after one year	1,729
	<hr/> <hr/>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.65%.

The income statement shows the following amounts relating to leases:

	2019 £000	2018 £000
Interest expense (included in finance cost)	53	-
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	-	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	-	-
	<hr/>	<hr/>

The lease expenses for short-term leases for the year ending 31 December 2020 is expected to be similar to the expense as disclosed above.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments

	Investments in subsidiary undertakings £000
Cost	
At beginning of year	484,834
Disposals	(329)
	<hr/>
At end of year	484,505
	<hr/>
Provision for impairment	
At beginning of year	(31,579)
Impairment charge	(4,161)
	<hr/>
At end of year	(35,740)
	<hr/>
At 31 December 2019	448,765
	<hr/>
At 31 December 2018	453,255
	<hr/>

In the opinion of the Directors, the investments in the Company's principal subsidiary undertakings at the year end are worth at least the amount at which they are stated in the balance sheet.

The subsidiary companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Principal activity	Address of registered office
* Essentra (Bangor) Limited	UK	Manufacturing	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra Components Limited	UK	Manufacturing	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Filter Products Limited	UK	Manufacturing	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Packaging Limited	UK	Manufacturing	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Packaging & Security Limited	UK	Manufacturing	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
ESNT Filter Products Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
ESNT Holdings (No.1) Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* ESNT Holdings (No.2) Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments (continued)

	Country of Incorporation	Principal activity	Address of registered office
ESNT International Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
ESNT Packaging & Securing Solutions Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Filter Products International Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Overseas Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra Pension Trustees Limited	UK	Pension Trustee	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra Finance Limited	UK	Treasury activities	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra (Kilmarnock) Ltd.	UK	Non-trading	4th Floor, 115 George Street, Edinburgh, Scotland, EH2 4JN
* Essentra (Northampton) Limited	UK	Non-trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Services Limited	UK	Non-trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Filtrona Limited	UK	Non-trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* P. P. Payne Limited	UK	Non-trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Alliance Plastics Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Cigarette Components Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* ESNT Components Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* ESNT Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* North West Plastics Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Skiffy Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Stera Tape Limited	UK	Dormant	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments (continued)

	Country of incorporation	Principal activity	Address of registered office
* Essentra (Great Harwood) Ltd.	UK	Dissolved – 4 th February 2020	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra (Hull) Ltd.	UK	Dissolved – 4 th February 2020	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra (Kimbolton) Ltd.	UK	Dissolved – 4 th February 2020	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
* Essentra Filter Products Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Packaging Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Plastics LLC	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Packaging Puerto Rico Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Packaging US Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Innovative Components Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Micro Plastics Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Components Inc.	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Components Japan Inc.	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* ESNT Holdings Inc.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* ESNT (Porous) Holdings Inc.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* ESNT US Holdings Corp	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Corporation	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Holdings Corp.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* US NewCo LLC.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* ESNT Components Inc	US	Non-trading	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* US LLC 2, LLC	US	Non-trading	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* Essentra Components B.V.	Netherlands	Distribution	Den Belleman 9, 5571 NR Bergeyk, Netherlands
* Essentra Packaging B.V.	Netherlands	Distribution	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
Blue NewCo 1 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, 1082 MA, Amsterdam, Netherlands
* Blue NewCo 2 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68 , Ito Tower 9th floor, MA Amsterdam, 1082, Netherlands
* Blue NewCo 3 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, Ito Tower, 9th Floor, 1082 MA, Amsterdam, Netherlands
* Blue NewCo 4 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, Ito Tower, 9th Floor, 1082 MA, Amsterdam, Netherlands

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments (continued)

	Country of incorporation	Principal activity	Address of registered office
* ESNT Holdings Cooperative 1 W.A.	Netherlands	Holding Company	Beatrixstraat 7, 9285 TV, Buitenpost, Netherlands
* ESNT Holdings (Netherlands) B.V.	Netherlands	Holding Company	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* Essentra B.V.	Netherlands	Holding Company	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
* Essentra Holdings Cooperative WA	Netherlands	Holding Company	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* Essentra Holdings (No.2) Cooperative WA	Netherlands	Holding Company	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* Essentra International B.V. / LLC	Netherlands	Holding Company	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* ESNT Holding B.V.	Netherlands	Non-trading	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* ESNT Holdings Cooperative 2 WA	Netherlands	Non-trading	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
* Fijnmechanica Surhuisterveen B.V.	Netherlands	Non-trading	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
* Linde Vouwkartonage B.V.	Netherlands	Non-trading	Hanzeweg 14, 7591 BK, Denekamp, Netherlands
* Richco Benelux B.V.	Netherlands	Non-trading	Beeldschermweg 5-3, 3821 AH Amersfoort, Netherlands
* Skiffy B.V.	Netherlands	Non-trading	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* Essentra Packaging Ireland Limited	Ireland	Manufacturing	8 Airways , Industrial Estate, Dublin 17, Ireland
* ESNT (Cherry Orchard) Holdings Limited	Ireland	Holding Company	8 Airways , Industrial Estate, Dublin 17, Ireland
* C.B. Packaging Limited	Ireland	Non-trading	8 Airways Industrial Estate, Dublin 17, Ireland
* ESNT (Cherry Orchard) Limited	Ireland	Non-trading	8 Airways Industrial Estate, Dublin 17, Ireland
* ESNT Finance Ireland Limited	Ireland	Non-trading	7 Airways Industrial Estate, Cloghran, Dublin 17, D17 RR88, Ireland
* Essentra Finance (Euro) Limited	Ireland	Non-trading	7 Airways Industrial Estate, Cloghran, Dublin 17, D17 RR88, Ireland
* Essentra Pte. Limited	Singapore	Distribution	36 Robinson Road 17-01, City House, 068877, Singapore
* Essentra Filter Products Leasing Pte. Limited	Singapore	Leasing Company	238A Thomson Road, 25-04/05 Novena Square, 307684, Singapore
* Essentra (MEA) Pte. Limited	Singapore	Holding Company	36 Robinson Road, 17-01 City House, 068877, Singapore
* Essentra Filter Products Development Co. Pte. Limited	Singapore	Non-trading	238A Thomson Road, 25-04/05 Novena Square, 307684, Singapore
* Essentra Components GmbH	Austria	Distribution	Schubertring 6, 1010 Wien, Austria
* Essentra Pty Ltd	Australia	Manufacturing	32 Clyde Street, Rydalmere NSW 2116, Australia
* Essentra Industria E Comercio LTDA	Brazil	Manufacturing	Room 7, No 1000 Avenida Emilio Marconato, Centro Comercial, Chacara Primavera, Jaguariuna, Sao Paulo, 13.916-074, Brazil
* Essentra Limited	Canada	Manufacturing	2538 Spears Road, Oakville ON L6L 5K9, Canada

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments (continued)

	Country of Incorporation	Principal activity	Address of registered office
* China Tobacco Essentra (Xiamen) Filters Co., Ltd	China	Non-trading	Floor 2 No.289 Binshui Road, Qiaoying Street, Jimei District, Xiamen City, China
* Essentra Precision Machinery Components (Ningbo) Co. Ltd.	China	Manufacturing	99 Huanghai Road, Beilun District, Ningbo, Zhejiang, China
* Essentra Trading (Ningbo) Co. Ltd	China	Distribution	99 Huanghai Road, Beilun District, Ningbo, Zhejiang, China
* Essentra Components International Trading (Shanghai) Co Ltd	China	Distribution	Room 347, Xinmao Building, 2 Taizhong South Road, China
* Essentra Plastic Trading (Ningbo) Co. Ltd	China	Distribution	99 Huanghai Road, Beilun District, Ningbo, Zhejiang, China
* Componentes Innovadores Limitada	Costa Rica	Manufacturing	Cartago-Cartago Parque Industrial Y Zona Franca Zeta, Cartago, Edificios, 48C3 48C4, Costa Rica
* Essentra Components sro	Czech Republic	Distribution	Vídeňská 101/119, Dolní Heršpice, Brno, 619 00, Czech Republic
* Essentra Packaging S.a.r.l.	France	Manufacturing	F-27200, Sarreguemines, Rue Guillaume, Schoettke, France
* Essentra Components SAS	France	Distribution	280 rue de la Belle Étoile - 95700 Roissy en, France
* Essentra International GmbH	Germany	Holding Company	Filmstr. 5, 06766, Bitterfeld-Wolfen, Germany
* Essentra Components GmbH	Germany	Distribution	Herrenpfad Süd 36, 41334, Nettetal, Germany
* Essentra Packaging GmbH	Germany	Manufacturing	D-06766 Wolfen, Edisonstrasse, Germany
* Essentra (Hong Kong) Ltd	Hong Kong	Non-trading	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
* Essentra Components Kft	Hungary	Distribution	2040 Budaors Gyar u. 2., Hungary
* Essentra Filter Products Kft	Hungary	Manufacturing	2310 Szigetszentmiklos, Leshegy ut 30, Hungary
* PT Essentra	Indonesia	Manufacturing	Jalan Berbek Industri 1, 18-20 Surabaya Industrial Estate Rungkut (SIER), Sidoarjo, 61256, Indonesia
* Essentra (India) Private Limited	India	Manufacturing	Survey No. 46, Jala Hobli, Doddajala Village, Bangalore North - 562 157, Karnataka, India
* ITC Essentra Limited	India	Manufacturing	Doddajala Post, Yarthiganahally, (via) Bettahalasur, Bangalore North, 562 157, India
ESNT Holdings SpA	Italy	Holding Company	Podenzano, Loc.I Casoni Fraz. Gargia, Via Copernico no. 54, 29027, Italy
* Essentra Packaging srl	Italy	Distribution	Via Copernico n.54, Loc. 1 Casoni Fraz., Gariga, 29027, Podenzano, Italy
* Essentra Components srl	Italy	Distribution	Via Massarenti, 1 Loc, 1 Maggio, 40013, Castel Maggiore, Italy
* Essentra Filter Products Spa	Italy	Non-trading	Studio De Vivo SCIS, 84123 Salerno, Corso, Garibaldi n. 143, Italy
* Essentra Packaging Luxembourg Sarl	Luxembourg	Non-trading	8-10, Avenue de la Gare, L-1610, Luxembourg

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments (continued)

	Country of Incorporation	Principal activity	Address of registered office
* Abric Encode Sdn Bhd	Malaysia	Non-trading	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
* Essentra Malaysia Sdn Bhd	Malaysia	Distribution	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
* Essentra Asia Sdn Bhd	Malaysia	Manufacturing	Unit D - 3A - 10, 4th Floor, Greentown Square, Jalan Dato' Seri Ahmed Said, 30450 Ipoh, Perak, Malaysia
* Essentra Components SEA (M) Sdn Bhd	Malaysia	Non-trading	D5-5-6, Solaris Dutamas 1, Jalan, Dutamas 1, 50480, Kuala Lumpur, Malaysia
* Essentra Components S. de R.L de C.V.	Mexico	Manufacturing	Carretera a Huinala #510 Fracc. Ind. San Andres CP 66640 Apodaca, N.L. Mexico
* ESNT Limited	New Zealand	Services	Quigg Partners, Floor 7, 36 Brandon Street, Wellington Central, Wellington, 6011, New Zealand
* Essentra Filter Products S.A.	Paraguay	Manufacturing	Calle 12, Acacary, Ciudad del Este, Paraguay
* Essentra Sp. z o.o.	Poland	Distribution	11 Lakowa Street, 90-562, Lodz, Poland
* Boxes Prestige Poland Sp. z o.o.	Poland	Holding Company	Tokarska 25, 20-210, Lublin, Poland
* Essentra Packaging Spółka z o.o.	Poland	Manufacturing	Tokarska 25, 20-210, Lublin, Poland
* Essentra Co. Ltd Korea	Republic of Korea	Distribution	5th Floor, One IFC, 10, Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 07326, Republic of Korea
* Essentra Components SRL	Romania	Distribution	Bucuresti Sectorul 1, Strada Polana, Nr. 68-72, Etaj 2, Biroul NR.5, Romania
* OOO Essentra Filter Products	Russia	Distribution	Moskovskiy pr. 60/129, Business Center Senator, 190005, St. Petersburg, Russian Federation
* Essentra St Petersburg Limited Liability Company	Russia	Distribution	4a Finlyandskiy Prospect, 194044, St. Petersburg, Russian Federation
* Essentra Components sro	Slovakia	Distribution	Gogol'ova 18, 852 02 Bratislava, Slovakia
* Essentra Components (Pty) Limited	South Africa	Distribution	Unit 2. Sage Corporate Park, Corner Suni & Tsessebe Streets, South Midrand, Gauteng, 1683, South Africa
* Clondalkin Holdings SA	Spain	Holding Company	Carrer dels Fusters 18-20, Poligono Industrial Can Cuyas, Montcada I Reixac, 08110, Barcelona, Spain
* Essentra Packaging SA	Spain	Manufacturing	Carrer dels Fusters 18-20, Poligono Industrial Can Cuyas, Montcada I Reixac, 08110, Barcelona, Spain
* Nekicesa Global Packaging SL	Spain	Non-trading	Ctra. De Navalcarnero a Chinchon km., 21,2 Grinon, 28971, Madrid, Spain
* Nekicesa Packaging SL	Spain	Manufacturing	Ctra. De Navalcarnero a Chinchon km., 21,2 Grinon, 28971, Madrid, Spain

Notes to the financial statements

for the year ended 31 December 2019 (continued)

13 Investments (continued)

	Country of Incorporation	Principal activity	Address of registered office
* Essentra Components S.L.U	Spain	Manufacturing	Calle Roure Gros 1-11, Poligono Industrial Mas d'En Cisa, 08181, Spain
* Essentra Components AB	Sweden	Distribution	Askims Verkstadsvag 13Sweden, 436 34 Askim, Vastra Gotalands lan, Goteborg kommun, Sweden
Essentra Hertila AB	Sweden	Manufacturing	Persbogatan 1, SE-265 38, Astorp, Sweden
* Essentra Components Sarl	Switzerland	Distribution	Rue du Grand-Chene 2, c/o Pierre-Alain Killias, Lexartis Avocats, 1003 Lausanne, Switzerland
* Essentra Eastern Limited	Thailand	Manufacturing	111/5 Moo 2 Tambon Makamku, Amphur Nikorn Pattana, Rayong Province, Thailand
* San Yai Holding Company Limited	Thailand	Holding Company	776 Charoennakorn Road, Bukkaloo, Thonburi, Bangkok 10600, Thailand
* Pranakorn Holding Company Limited	Thailand	Holding Company	776 Charoennakorn Road, Bukkaloo, Thonburi, Bangkok 10600, Thailand
* Essentra Limited	Thailand	Manufacturing	116/3 Soi Thiantalay 24, Bangkhunthian-Chaitalay Road, Thakam, Bangkhunthian, Bangkok, 10150, Thailand
* Apex Filters Company Limited	Thailand	Non-trading	31/2 Rama 3 Road, Chongnonsee, Yannawa, Bangkok 10120, Thailand
* Chemical Resins (Thailand) Limited	Thailand	Non-trading	4th Floor, 77/1 Soi Ruamrudee 2, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
* Mesan Kilit A.S.	Turkey	Manufacturing	Ilitelli Organzie Sanayi , , Bolgesi Metal Is San,Sit.7.Blok No24 Basaksehir, Istanbul, Turkey
* Essentra FZE	United Arab Emirates	Manufacturing	Plot No. S20403 PO Box No.261392, Jafza, Dubai, United Arab Emirates
* Filtrona Venezolana C.A.	Venezuela	Non-trading	Urbn. Parque Comercio Industrial Castillito, Lot No. P-8. Street 103 c/c Av. 66, San Diego Municipality, Valencia, Edo Carabobo, Venezuela

* indicates shares held indirectly

The investments in the companies above relate to ordinary shares or common stock. The principal country in which each company operates is the country of incorporation.

All entities above are wholly owned subsidiaries of the Company except for ITC Essentra Limited (India) (50% owned) and China Tobacco Essentra (Xiamen) Filters Co., Ltd (49% owned). The ownership held by the Company in these companies are through holding of ordinary shares in these companies and they are accounted for as subsidiaries of the group in the group consolidated financial statements of Essentra plc due to a control achieved via board membership.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

14 Debtors

	2019 £000	2018 £000
Trade debtors	176	40
Other debtors	1,685	1,668
Amounts owed by group undertakings	10,882	44,127
Corporation tax	6,501	3,030
Prepayments and accrued income	2,941	3,871
Deferred tax asset (note 17)	3,100	2,708
	<u>25,285</u>	<u>55,444</u>

Amounts owed by group undertakings are trading balances under normal commercial terms and interest is not charged. These undertakings are unsecured and repayable on demand. There was no provision included in trade debtors (2018: £nil).

15 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	3,757	5,316
Amounts owed to group undertakings	149,886	215,195
Other creditors including taxation and social security	6,082	5,903
Accruals and deferred income	5,141	821
	<u>164,866</u>	<u>227,235</u>

Included in amounts owed to group undertakings is an amount of £123,059,000 (2018: £194,506,000) owed to Essentra Finance Limited, which carries on the business of group financing for Essentra plc, the Company's ultimate parent company. The balance is repayable on demand, unsecured and interest is charged at a rate set with reference to the London Inter-bank Offered Rate ("LIBOR"). Other amounts owed to group undertakings are trading balances under normal commercial terms and interest is not charged. These undertakings are unsecured and repayable on demand.

16 Provisions for liabilities

A provision of £2.3m (2018: £nil) was provided for cost in relation to expected financial penalties for sanction compliance failures. This related to compliance issues of certain group companies' export activities (in the Filters division) with US laws, for which the group is co-operating fully with the US Government. As a result of the investigations conducted by the group in response to US Government enquiries, the group has made a voluntary disclosure to the US Office of Foreign Assets Control.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

17 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	2019 Net	Assets	Liabilities	2018 Net
	£000	£000	£000	£000	£000	£000
Tangible fixed assets ¹	506	-	506	357	-	357
Employee benefits ²	1,493	(650)	843	576	(761)	(185)
Other temporary differences ³	1,751	-	1,751	2,566	-	2,536
	<u>3,750</u>	<u>(650)</u>	<u>3,100</u>	<u>3,469</u>	<u>(761)</u>	<u>2,708</u>
Deferred tax asset/(liability)	3,750	(650)	3,100	3,469	(761)	2,708

¹ A deferred tax asset arises on tangible fixed assets as the tax value of assets is higher than the corresponding accounting value. This arises as tax deductions are determined by the applicable tax laws whereas accounting depreciation is calculated in line with the Company's accounting policy

² This represents deferred tax on the Company's defined benefit pension schemes and share-based incentives

³ This includes expenditure that will be deductible in future periods for tax purposes when the amounts are settled in cash

	2019 £000	2018 £000
Deferred tax movements in the year:		
At beginning of year	2,708	87
(Charge) / credit to the income statement in respect of the current year	(145)	1,882
(Charge) / credit to the income statement in respect of prior periods	(13)	1,063
Charge to other comprehensive income	526	(281)
Change in tax rates	24	(43)
	<u>3,100</u>	<u>2,708</u>
At end of year	3,100	2,708

18 Called up share capital

	2019 £000	2018 £000
Issued and fully paid ordinary shares of £1 (2018: £1) each	243,068	243,068
	<u>243,068</u>	<u>243,068</u>
Number of ordinary shares in issue		
At beginning and end of year	243,067,808	243,067,808
	<u>243,067,808</u>	<u>243,067,808</u>

Notes to the financial statements

for the year ended 31 December 2019 (continued)

19 Dividends paid

	2019 £000	2018 £000
Declared and paid during the year		
Equity dividends on ordinary shares		
paid to parent undertaking	-	-

20 Commitments

At 31 December the Company had the following future minimum lease payments under non-cancellable operating leases:

	2019 £000	2018 £000
Payable within one year	-	516
Payable between one and five years	-	1,124
Payable after five years	-	716
	-	2,356

Following the adoption of IFRS 16 on 1 January 2019 commitments for the Company at the year ended 31 December 2019 were reported within lease liabilities.

21 Employee benefits

The Essentra Pension Plan ('the group scheme') is both a defined benefit scheme, providing benefits based on final pensionable pay, and a defined contribution scheme, providing benefits based on monthly contributions. The assets of the group scheme are held separately from those of Essentra plc and its subsidiaries and contributions are determined by a qualified independent actuary every three years using the projected unit method. Pension costs of the defined benefit scheme are assessed in accordance with the advice of independent professionally qualified actuaries. The most recent valuation of the scheme was as at 5 April 2018. The results of this valuation have been updated to 31 December 2019 by a qualified independent actuary, taking account of the investment returns achieved by the scheme and the level of contributions.

The defined benefit plans are administered by boards of trustees and the assets are held independently from Essentra. The board of trustees comprises member nominated trustees, employer nominated trustees and independent advisory trustees. The scheme trust deeds prohibit a majority on the boards to be established by either the member or employer nominated trustees.

The defined benefit schemes entitle remaining members to a pension calculated on 1.25% or 2% of their capped final pensionable pay multiplied by the number of pensionable years of service. Some members have historical entitlements to accrual rates of 1.67%-1.9% and 3% for certain tranches of their service.

The scheme was closed for future accrual from 1 April 2015, and curtailment gains were recognised in profit or loss accordingly in 2015. Following the closure of the group's principal defined benefit pension scheme to future accruals, the scheme is funded by the group's subsidiaries and employees are not required to make any further contribution. The funding of this scheme is based on separate actuarial valuations for funding purposes for which the assumptions may differ from those used in the valuation for IAS 19 purposes.

The net retirement benefit asset presented in these financial statements relates to the members of the group scheme who are employed by the Company (Essentra International Limited) and not all Essentra employees.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes to the financial statements

for the year ended 31 December 2019 (continued)

21 Employee benefits (continued)

The amounts recognised in the income statement and in the statement of comprehensive income for the year are as follows:

	2019 £000	2018 £000
Amounts expensed against operating profit		
Defined contribution scheme	480	342
Defined benefit scheme – service cost and administrative expense	123	71
Pension past service costs (note 5)	-	440
Total operating expense	603	853
Amounts included as other finance income		
Net interest on defined benefit scheme assets	(1,199)	(974)
Net interest on defined benefit scheme liabilities	1,093	893
Net interest income	(106)	(81)
Amounts recognised in the statement of comprehensive income		
Returns on defined benefit scheme assets excluding net interest income	4,362	3,693
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	(5,471)	(2,036)
Remeasurement of defined benefit scheme	(1,109)	1,657

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

	2019 %	2018 %
Increase in salaries	n/a	n/a
Increase in pensions:		
at RPI capped at 5%	2.9	3.1
at CPI capped at 5%	2.1	2.2
at CPI minimum 3%, capped at 5%	3.1	3.1
at CPI capped at 2.5%	1.9	1.9
Discount rate	2.1	2.9
Inflation rate	2.6	2.7
Post-retirement mortality (in years):		
Males retiring today at age 65	22.3	22.4
Females retiring today at age 65	24.2	24.2
Males retiring in 20 years at age 65	23.7	23.8
Females retiring in 20 years at age 65	25.6	25.8

Notes to the financial statements

for the year ended 31 December 2019 (continued)

21 Employee benefits (continued)

The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustees' investment policies. The allocation of assets is arrived at taking into consideration current market conditions and trends, the size of potential returns relative to investment risk and the extent to which asset realisation needs to match liability maturity. There are risks underlying these considerations. If asset returns fall below the returns required for scheme assets to match the present value of scheme liabilities, a scheme deficit results. Persistent deficits represent an obligation the Company has to settle through increased cash contributions. If asset maturities are not properly matched with liability maturities, there is also the risk that the Company could be required to make unplanned short-term cash contributions to resolve resulting liquidity issues. Scheme assets are invested by the trustees in asset classes and markets that are considered to be reasonably liquid, so this matching and liquidity risk is considered to be sufficiently mitigated.

The equity, corporate bond and government bond assets are either direct investments or investments made via a managed fund for those asset classes. All of these assets have a quoted market price in an active market. The other asset class relates primarily to property and hedge funds, which are valued at their cumulative unit offer price. No direct investment in property is held. No plan assets are invested directly in the shares of Essentra plc. The pension scheme has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The Company's contributions to its defined benefit pension scheme are determined in consultation with trustees, taking into consideration actuarial advice, investment conditions and other local conditions and practices. Employer contributions are currently under discussion to be paid to the Scheme for the year ending 31 December 2019.

The fair value of scheme assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the pension scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are as follows:

	2019 £000	2018 £000
Quoted Equities	12,505	11,137
Bonds/LDI	34,327	31,390
Other	216	228
Fair value of scheme assets	47,048	42,755
Present value of scheme liabilities	(43,626)	(38,277)
Net retirement benefit assets	3,422	4,478

Notes to the financial statements

for the year ended 31 December 2019 (continued)

21 Employee benefits (continued)

Changes in the fair value of the defined benefit pension obligations during the year:

	Defined benefit pension scheme assets £000	Defined benefit pension scheme liabilities £000	2019 Total £000	Defined benefit pension scheme assets £000	Defined benefit pension scheme liabilities £000	2018 Total £000
Beginning of year	42,755	(38,277)	4,478	39,789	(36,538)	3,251
Service cost and administrative expense	(123)	-	(123)	(71)	-	(71)
Return on plan assets excluding amounts in net interest income	4,362	-	4,362	3,693	-	3,693
Actuarial gains/(losses) arising from change in financial assumptions	-	(5,559)	(5,559)	-	2,567	2,567
Actuarial gains arising from demographic assumptions	-	480	480	-	96	96
Actuarial (losses)/gains arising from experience	-	(392)	(392)	-	(4,699)	(4,699)
Finance income/(expense)	1,199	(1,093)	106	974	(893)	81
Employee contributions	70	-	70	-	-	-
Benefits paid	(1,215)	1,215	-	(1,630)	1,630	-
Past service cost	-	-	-	-	(440)	(440)
End of year	47,048	(43,626)	3,422	42,755	(38,277)	4,478

Sensitivity

For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the measurement of the scheme liabilities as at 31 December 2019.

	(Increase)/decrease in scheme net liabilities £000
0.5% decrease in the discount rate	(4,174)
0.5% increase in the discount rate	3,926
1.0% decrease in the rate of inflation	3,326
1.0% increase in the rate of inflation	(3,774)
1 year decrease in life expectancy	(1,674)

Notes to the financial statements

for the year ended 31 December 2019 (continued)

22 Share-based payments

Essentra plc operates share-based incentive plans for its employees and employees of its subsidiaries. The total expense in respect of these plans during the year was £2,403,000 (2018 expense: £2,747,000). Details of these plans are set out below.

Share options outstanding

2019											
	At 1 Jan 2019	Weighted average exercise price	Granted during the year	Weighted average exercise price	Lapsed during the year	Weighted average exercise price	Exercised during the year	Weighted average exercise price	At 31 Dec 2019	Weighted average exercise price	Exercisable at 31 Dec 2019
LTIP Part A	144,921	708.6p	-	-	(91,215)	786.2p	(3,616)	236.9p	50,090	601.3p	50,090
LTIP Part B	2,906,570	-	1,886,430	-	(471,311)	-	-	-	4,321,689	-	-
DASB	124,416	-	197,802	-	(564)	-	(21,534)	-	300,120	-	-
SAYE 3 year plan	106,064	422.8p	144,881	327.1p	(94,261)	408.3p	(383)	407.2p	156,301	342.9p	-
SAYE 5 year plan	41,306	411.0p	66,955	327.1p	(41,306)	411.0p	-	-	66,955	327.1p	-
	3,323,277		2,296,068		(698,657)		(25,533)		4,895,155		50,090

2018											
	At 1 Jan 2018	Weighted average exercise price	Granted during the year	Weighted average exercise price	Lapsed during the year	Weighted average exercise price	Exercised during the year	Weighted average exercise price	At 31 Dec 2018	Weighted average exercise price	Exercisable at 31 Dec 2018
LTIP Part A	199,515	787.5p	-	-	(54,594)	997.0p	-	-	144,921	708.6p	71,579
LTIP Part B	2,031,510	-	1,458,275	-	(563,463)	-	(19,752)	-	2,906,570	-	-
DASB	46,614	-	138,497	-	(1,783)	-	(58,912)	-	124,416	-	-
SAYE 3 year plan	93,273	449.4p	53,789	407.2p	(40,615)	463.0p	(383)	430.0p	106,064	422.8p	-
SAYE 5 year plan	6,976	430.0p	34,330	407.2p	-	-	-	-	41,306	411.0p	-
	2,377,888		1,684,891		(660,455)		(79,047)		3,323,277		71,579

Fair value model inputs for share options outstanding

2019					
	LTIP Part A	LTIP Part B	DASB	SAYE 3 year plan	SAYE 5 year plan
Weighted average fair value at grant	125.7p	313.1p	355.7p	102.3p	82.7p
Weighted average share price at grant	601.3p	440.7p	414.1p	426.9p	415.8p
Weighted average exercise price	601.3p	0.0p	0.0p	342.9p	415.8p
Weighted average volatility	28.4%	35.1%	40.3%	40.3%	36.0%
Weighted average dividend yield	2.00%	4.78%	5.00%	4.89%	5.00%
Weighted risk free rate	0.55%	0.46%	0.70%	0.69%	0.80%
Expected employee retention rates	86.7%	90.2%	100.0%	86.8%	85.0%
Expected term	3.05 years	3.00 years	3.00 years	3.17 years	5.20 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial

2018					
	LTIP Part A	LTIP Part B	DASB	SAYE 3 year plan	SAYE 5 year plan
Weighted average fair value at grant	141.0p	371.1p	416.5p	113.1p	77.4p
Weighted average share price at grant	708.6p	524.2p	475.0p	483.6p	444.2p
Weighted average exercise price	708.6p	0.0p	0.0p	422.8p	411.0p
Weighted average volatility	27.4%	39.2%	39.4%	41.3%	35.2%
Weighted average dividend yield	2.28%	4.17%	4.56%	4.37%	4.73%
Weighted risk free rate	0.59%	0.58%	0.85%	0.64%	1.02%
Expected employee retention rates	82.80%	93.1%	100.0%	82.8%	77.5%
Expected term	3.03 years	3.00 years	3.00 years	3.00 years	5.00 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial

Volatility has been calculated over the length of the expected term, for the period immediately before the grant

Notes to the financial statements

for the year ended 31 December 2019 (continued)

22 Share-based payments (continued)

	2019 and 2018				
	LTIP Part A	LTIP Part B	DASB	SAYE 3 year plan	SAYE 5 year Plan
Contractual life	3 – 10 years	3 – 6 years	3 years	3 years	5 years

Details of the vesting conditions of the LTIP Part A, LTIP Part B and DASB share option schemes are set out in the Annual Report on Remuneration on pages 156 to 157 of the Essentra plc Annual Report 2019.

All options are equity-settled.

23 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company's immediate and ultimate parent company is Essentra plc, a company incorporated in England and Wales. This is the only group in which the results of the Company are consolidated.

The consolidated financial statements of Essentra plc are available to the public and may be obtained from the registered office of Essentra plc at Avebury House, 201-249 Avebury Boulevard, Milton Keynes, MK9 1AU.

24 Post balance sheet events

The following provides information on the material events that have occurred between the date of these financial statements and the date of their approval by management.

COVID-19

On the 11 March 2020 a global pandemic was announced by the World Health Organisation ("WHO") with respect to the COVID-19 Virus. To ensure the protection of the population, the UK government and governments around the world were forced to take unprecedented action to close many non-essential businesses and issue "stay at home" instructions to its people. It is widely expected that these actions to protect the health of the world's population, will result in a significant impact on the global economy and manufacturing output.

The directors of the company concluded that from the company's prospective, this global pandemic is a non adjusting post balance sheet event. An assessment of the impact of the COVID-19 Virus on the company's balance sheet, determined that some receivable balances from group undertakings may be impaired in a future period. Any impairment of receivable balances identified as at risk is not deemed to be material.

As its principal activity is to invest in its subsidiary undertakings, in the event that cashflows are depressed due to the COVID-19 Virus, the impact for the company would be lower returns on dividend income from the shares held in these investments and could trigger impairment charges where the recoverable amount of the investments falls below the amount stated on the balance sheet.