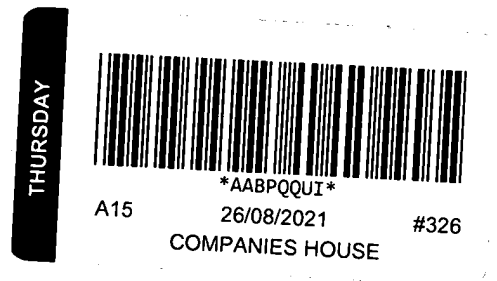


Essentra International Limited

Strategic report, Directors' report and financial statements

Registered number 1172804

31 December 2020



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Strategic report

for the year ended 31 December 2020

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 loss before taxation was £25,989,000 (2019: profit of £20,001,000). The loss compared to 2019 was primarily due to fewer dividends received from investments in the year.

The Company's net asset position decreased to £310,970,000 from £335,821,000, driven mainly by the loss reported during the year.

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 30 of the Strategic Report of the Essentra plc Annual Report 2020. The Essentra plc Annual Report 2020 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 50 to 66 of the Essentra plc Annual Report 2020.

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 188 to 194 of the Essentra plc Annual Report 2020.

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 Sustainability Report of the Essentra plc Annual Report 2020 on pages 36 and 41.

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 31 to 32 of the Essentra plc Annual Report 2020 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

1 July 2021

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

Directors' report

for the year ended 31 December 2020

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

Results and dividends

The loss for the financial year was £25,568,000 (2019: profit of £27,761,000).

There have been no dividends paid to the holder of the ordinary share capital (2019: £nil). Dividend income of £3,000 (2019: £65,142,000) was received from the subsidiaries. The Directors do not propose the payment of a final dividend (2019: £nil).

Stakeholder engagement

Section 172 of the Companies Act requires the Directors to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with supplies, customers and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The long-term success of the company is predicated on the daily commitment of our workforce to the purpose and values of the Company (Six Principles). The Company engages with its employees regularly and has developed a people strategy which seeks to create an environment in which employees are happy at work and that best supports their well-being. Further details of workforce engagement activities can be found in the Board engagement with employees section of the Corporate Governance Report of the Essentra plc Annual Report 2020 on pages 23 and 26.

Local suppliers are engaged through working Group initiatives that are run by regional management. The Company's code of conduct and Modern Slavery Statement is shared with all key and new suppliers. Procurement runs a supplier development program with all key suppliers.

The Company has invested in key account management structures across the business to manage relationships with customers. This ensures that the most appropriate services are provided for individual accounts.

Throughout the operations of the business, the Company supports and endorses human rights through the active demonstration of employment policies, supply chain and the responsible provision of products and services. This commitment includes a mandatory requirement that all sites of the Company and its subsidiaries' companies avoid the employment of children, as well as a commitment to the prevention of slavery and human trafficking.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements 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 2020 on pages 31 to 35.

Directors' report

for the year ended 31 December 2020 (continued)

Employees (continued)

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

The uncertainty as to the future impact on the Company of the ongoing Covid-19 pandemic has been considered as part of the Company's adoption of the going concern basis, taking into account the experience during 2020 and the most recent circumstances. As a subsidiary of Essentra Plc, that exists to carry out the co-ordination and management of its wholly owned subsidiary undertakings, the Company's own performance is intrinsically linked to the overall performance of the Essentra Group.

As at 31 December 2020 and the date of approval of these financial statements, all of Essentra plc's manufacturing and distribution facilities are operational and have broadly resumed to pre-pandemic levels of service. Across Essentra plc, public health measures advised by governments are being followed in support of their efforts to contain the spread of the virus, and the supply chain is being proactively managed as are operating costs and the timing of capital expenditure.

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. Since the balance sheet date, and as part of the Group's going concern assessment, the Board of Essentra plc Group has considered a downside scenario that reflects the current uncertainty in the global economy and which management consider to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the Group for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. Significant level of headroom remains in place with regard to liquidity and compliance with financial covenants. The scenario includes assumption for similar extent of disruptions as seen in 2020. Therefore, the severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

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.

Directors' report

for the year ended 31 December 2020 (continued)

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 2020 on pages 2 to 30.

Political and charitable donations

The Company made charitable donations of £82 during the year (2019: £2,500).

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2019: £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' 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.

Directors' report

for the year ended 31 December 2020 (continued)

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

1 July 2021

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

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 2020 and of its loss 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 2020; 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

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

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

Reporting on other information (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of journal entries to manipulate metrics relating to bank covenants of Essentra plc Group.

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

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Audit procedures performed by the engagement team included:

- Enquiries of management;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which result in an impact to metrics relevant to banking covenants of Essentra plc Group; and
- Challenging judgements made by management in determining significant accounting estimates, in particular in relation to going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

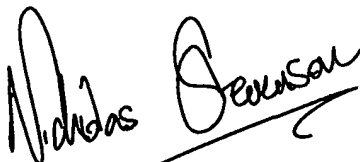
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
1 July 2021

Income statement

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Administrative expenses		(47,456)	(63,344)
Other operating income	3	29,214	27,894
Operating loss	4	(18,242)	(35,450)
Income from Group undertakings		3	65,142
Interest payable and similar expenses	8	(7,821)	(9,797)
Interest receivable and similar income	19	71	106
(Loss) / profit before taxation		(25,989)	20,001
Tax on (loss) / profit	9	421	7,760
(Loss) / profit for the financial year		(25,568)	27,761

Adjusted profit measure:			
Operating loss		(18,242)	(35,450)
Adjusting items	5	3,828	13,056
Adjusted operating loss		(14,414)	(22,394)

Statement of comprehensive income

for the year ended 31 December 2020

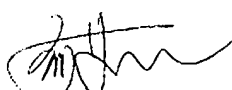
	<i>Note</i>	2020 £000	2019 £000
(Loss)/profit for the financial year		(25,568)	27,761
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	19	(1,000)	(1,109)
Deferred tax credit on remeasurement of defined benefit pension schemes	17,19	190	526
Other comprehensive income for the year, net of tax		(810)	(583)
Total comprehensive income for the year		(26,378)	27,178
Attributable to:			
Equity holders of the Company		(26,378)	27,178

Balance sheet

at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	13,497	16,458
Intangible assets	11	13,787	8,277
Lease right-of-use assets	12	1,592	1,975
Investments	13	448,765	448,765
Employee benefits	19	2,441	3,422
		480,082	478,897
Current assets			
Debtors	14	16,352	25,285
Cash at bank and in hand		1,845	918
		18,197	26,203
Creditors: amounts falling due within one year	15	(185,265)	(164,866)
Lease liabilities falling due within one year		(458)	(549)
Provisions for liabilities	16	(303)	(2,300)
		(186,026)	(167,715)
Net current liabilities		(167,829)	(141,512)
Lease liabilities falling due greater than one year		(1,283)	(1,564)
Net assets		310,970	335,821
Capital and reserves			
Called up share capital	18	243,068	243,068
Share premium account		40,559	40,559
Retained earnings		27,343	52,194
Total shareholders' funds		310,970	335,821

The financial statements on pages 9 to 39 were approved by the board of Directors on 1 July 2021 and were signed on its behalf by:



L Liu
Director

Statement of changes in equity

for the year ended 31 December 2020

	Note	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
		£000	£000	£000	£000
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)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year		-	-	27,178	27,178
Credit in relation to share-based incentives	20	-	-	2,490	2,490
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019		243,068	40,559	52,194	335,821
Loss for the year		-	-	(25,568)	(25,568)
Other comprehensive income for the year		-	-	(810)	(810)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year		-	-	(26,378)	(26,378)
Credit in relation to share-based incentives	20	-	-	993	993
Credit in relation to tax on share-based incentives		-	-	534	534
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020		243,068	40,559	27,343	310,970
		<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements

for the year ended 31 December 2020

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, Buckinghamshire, 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

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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union and 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, Buckinghamshire, MK9 1AU, United Kingdom.

These financial statements were prepared on a historical cost basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. Its also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- 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
- 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.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

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. Since the balance sheet date, and as part of the Group's going concern assessment, the Board of Essentra plc Group has considered a downside scenario that reflects the current uncertainty in the global economy and which management consider to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the Group for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. Significant level of headroom remains in place with regard to liquidity and compliance with financial covenants. The scenario includes assumption for similar extent of disruptions as seen in 2020. Therefore, the severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

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.

New standards, amendments and IFRS IC interpretations

During the year, there have been no new accounting standards, or amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2020, that have had a material impact on these financial statements.

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.

Adjusting items

In these financial statements, the Company has changed the layout of its income statement to present an adjusted operating profit measure below the income statement. In addition, the description previously used for adjusting items has been changed from "exceptional and other adjusting items" to "adjusting items", whilst its scope and definition remains unchanged. Details of these items are provided in note 5.

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately 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 2020 (continued)

1 Accounting policies (continued)

Adjusting items (continued)

(i) Acquisition integration, restructuring and other costs

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

Other costs include costs relating to the review, investigation and expected penalties relating to the compliance of certain Group companies' export activities with US laws.

(ii) Impairment of investments

Costs relating to the disposal and impairment of investments.

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 assets and depreciation

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

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

Tangible 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.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Investment in subsidiary undertakings

Investment in subsidiary undertakings is held at cost less any provision for impairment. The Company assesses at each balance sheet date whether the investment in its subsidiaries has been impaired.

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.

Intangible assets and amortisation

Development costs for software and eCommerce are recognised at cost as intangible assets to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Company and that its cost can be measured reliably, and amortised on a straight line basis over their estimated useful economic life.

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

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 discounting 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.

Determining the incremental borrowing rate incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for each subsidiary within the Company) and an asset class adjustment (reflecting the variation in risk between asset categories).

The Company has leases of certain equipment (e.g. printing and photocopying machines) that are considered of low value. 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.

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.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Pensions

(i) Defined contribution schemes

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

(ii) 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

Financial assets with fixed or determinable payments that are not quoted in an active market are included 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 financial assets at amortised cost 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.

Impairment assessments of financial assets are compliant with IFRS 9 expected credit loss models, which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company 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%.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

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 judgements and estimates

The following provides information on the policies 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.

Accounting estimates

(i) 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 19). 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 19.

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.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

2 Critical accounting judgements and estimates (continued)

Accounting estimates (continued)

(ii) Impairment

The Company has tested investments in subsidiary undertakings and intercompany loan receivable balances for impairment which requires judgement when determining the recoverable amount. In determining the recoverable amount of the investment in subsidiary undertakings and intercompany loan receivable balances it is necessary to make a series of assumptions to estimate the present value of future cash flows. When the carrying amount of the net assets held by the subsidiary undertaking or the Group company that is party to the loan 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.

Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Key assumptions and applied discount rates of the Essentra Group, which include those of the Company, are discussed on pages 174 to 176 of the Essentra plc Annual Report 2020.

Accounting judgements

(i) Adjusting items

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

(ii) Leases and lease right-of-use assets

A 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.

3 Other operating income

	2020	2019
	£000	£000
Management fees receivable from Group companies	29,214	27,894

Notes to the financial statements

for the year ended 31 December 2020 (continued)

4 Operating loss

	2020 £000	2019 £000
Operating loss is stated after charging:		
Personnel expense (see note 6)	18,388	23,231
Depreciation of tangible assets (see note 10)	4,120	3,877
Amortisation of software (see note 11)	1,298	395
Depreciation of right-of-use assets (see note 12)	504	523
Foreign exchange loss	5	408
	<u> </u>	<u> </u>
Auditors' remuneration:	2020	2019
	£000	£000
Audit of these financial statements	5	5
Non audit services	1	1
	<u> </u>	<u> </u>

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

5 Adjusting items

	2020 £000	2019 £000
Acquisition integration, restructuring costs and other costs	3,828	8,895
Impairment of investments	-	4,161
	<u> </u>	<u> </u>
	3,828	13,056
	<u> </u>	<u> </u>

The adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately 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.

Restructuring costs during the current and prior years relate to adjusting items arising from the reorganisation of the Group'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.

In the current year this included the full release of the provision of £2,300,000, created in the prior year 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.

During the year ended 31 December 2019, the investment in Micro Plastics International Limited had been impaired by £141,000 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.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

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	
	2020	2019
Administration and management	184	154
The aggregate payroll costs of these persons included within operating profit were as follows:	2020 £000	2019 £000
Wages and salaries	15,406	17,724
Social security costs	1,298	2,624
Other pension costs (note 19)	691	603
Share-based payments (note 20)	993	2,403
	18,388	23,231

In addition personnel expenses totalling £nil (2019: £1,018,000) was charged to adjusting items during the year.

7 Remuneration of Directors

	2020 £000	2019 £000
Directors' emoluments	636	816
Pension costs	112	115
	748	931

The highest paid director did not exercise any shares during the year (2019: nil). The other director exercised 9,360 shares during year (2019: 2,557). Remuneration in respect of the highest paid director was £408,000 (2019: £539,000), which included pension contributions of £64,000 (2019: £65,000). 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 2020 on pages 120 to 131.

	Number of Directors	
	2020	2019
Number of Directors accruing retirement benefits under defined contribution schemes	2	2
The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes	2	2

8 Interest payable and similar expenses

	2020 £000	2019 £000
Payable to Group undertakings	7,744	9,744
Interest on lease liabilities	48	53
Other interest	29	-
Interest payable and similar expenses	7,821	9,797

Notes to the financial statements

for the year ended 31 December 2020 (continued)

9 Tax on (loss) / profit

	2020	2019
	£000	£000
a) Amounts credited/(charged) in the income statement		
Current tax		
UK tax on (loss) / profit	-	6,501
Adjustments in respect of prior periods	(472)	1,393
Foreign tax (suffered) / relief	(3)	-
	<u>(475)</u>	<u>7,894</u>
Deferred tax (note 17)		
Origination and reversal of timing differences	(862)	(145)
Adjustments in respect of prior periods	1,758	(13)
Change in tax rate	-	24
	<u>896</u>	<u>(134)</u>
Tax credit on (loss) / profit	<u>421</u>	<u>7,760</u>

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

	2020	2019
	£000	£000
Deferred tax credit on remeasurement of defined benefit pension scheme	(190)	(526)
Tax credit in the statement of comprehensive income	<u>(190)</u>	<u>(526)</u>

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% (2019: 19%). The tax credit is lower than (2019: credit higher than) the standard rate and the differences are explained below:

	2020	2019
	£000	£000
(Loss)/profit before taxation	<u>(25,989)</u>	<u>20,001</u>
Tax credit / (charge) on (loss) / profit on at 19% (2019: 19%)	4,938	(3,800)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(274)	(2,221)
Adjustments in respect of prior periods	1,286	1,380
Change in tax rates	-	24
Dividend income not taxable	1	12,377
Group relief surrendered for nil payment	(4,947)	-
Reclassification of deferred tax assets on share based payments to equity	(580)	-
Foreign tax relieved	(3)	-
Total tax credit reported in the income statement (see above)	<u>421</u>	<u>7,760</u>

Notes to the financial statements

for the year ended 31 December 2020 (continued)

9 Tax on (loss) / profit (continued)

d) Change in corporation tax rate

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2020 (on 17 March 2020). These include holding the main rate at 19%, reversing the enacted reduction to 17% from 1 April 2020. Further changes have been substantively enacted as part of Finance Bill 2021 (on 24 May 2021). These include increasing the main rate of UK corporation tax rate to 25% from 1 April 2023. This tax rate had not been enacted as at 31 December 2020 and as a consequence the tax rate of 19% has been used for the purposes of deferred tax calculations. The difference between the tax rate enacted at year end of 19% and the rates enacted since as part of Finance Bill 2021 is not deemed to be material to the Company.

10 Tangible assets

	2020 £000	2019 £000
Cost		
At beginning of year	27,377	27,183
Transfers	(165)	(2,869)
Additions	1,265	3,063
Disposals	(1,621)	-
	<hr/>	<hr/>
At end of year	26,856	27,377
	<hr/>	<hr/>
Accumulated depreciation and impairment		
At beginning of year	(10,919)	(7,511)
Transfers	103	469
Charge for the year	(4,120)	(3,877)
Disposals	1,616	-
Impairment	(39)	-
	<hr/>	<hr/>
At end of year	(13,359)	(10,919)
	<hr/>	<hr/>
Net book value		
At end of year	13,497	16,458
	<hr/>	<hr/>

Tangible assets consist of fixtures, fittings and equipment.

During the current and prior year, capitalised software and development costs previously classified within fixtures, fittings and equipment were transferred into intangible assets.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

11 Intangible assets

	2020 £000	2019 £000
Cost		
At beginning of year	9,141	-
Transfers	165	2,869
Additions	6,746	6,272
	<hr/>	<hr/>
At end of year	16,052	9,141
	<hr/>	<hr/>
Accumulated amortisation and impairment		
At beginning of year	(864)	-
Transfers	(103)	(469)
Amortisation for the year	(1,298)	(395)
	<hr/>	<hr/>
At end of year	(2,265)	(864)
	<hr/>	<hr/>
Net book value		
At end of year	13,787	8,277
	<hr/>	<hr/>

During the current and prior year, capitalised software and development costs previously classified within fixtures, fittings and equipment were transferred into intangible assets.

12 Lease right-of-use assets

	2020 £000	2019 £000
Cost		
At beginning of year	3,124	2,803
Additions	121	461
Terminations	(235)	(140)
	<hr/>	<hr/>
At end of year	3,010	3,124
	<hr/>	<hr/>
Accumulated depreciation		
At beginning of year	(1,149)	(721)
Charge for the year	(504)	(523)
Terminations	235	95
	<hr/>	<hr/>
At end of year	(1,418)	(1,149)
	<hr/>	<hr/>
Net book value		
At end of year	1,592	1,975
	<hr/>	<hr/>

The right-of-use assets consist of property and equipment.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

12 Lease right-of-use assets (continued)

The income statement shows the following amounts relating to leases:

	2020	2019
	£000	£000
Interest expense (included in finance cost)	48	53

The lease expenses for short-term leases for the year ending 31 December 2021 is expected to be similar to the expense as disclosed above.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2020 was 2.54% (2019: 2.63%).

Notes to the financial statements

for the year ended 31 December 2020 (continued)

13 Investments

	2020 £000	2019 £000
Cost		
At beginning of year	484,505	484,834
Disposals	-	(329)
	<hr/>	<hr/>
At end of year	484,505	484,505
	<hr/>	<hr/>
Provision for impairment		
At beginning of year	(35,740)	(31,579)
Impairment charge (note 5)	-	(4,161)
	<hr/>	<hr/>
At end of year	(35,740)	(35,740)
	<hr/>	<hr/>
Net book value		
At end of year	448,765	448,765
	<hr/>	<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
ESNT International 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 2020 (continued)

13 Investments (continued)

	Country of incorporation	Principal activity	Address of registered office
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 – dissolved 30 March 2021	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
* Filtrona Custom Moulding 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 2020 (continued)

13 Investments (continued)

	Country of incorporation	Principal activity	Address of registered office
* Essentra Filter Products Inc.	US	Manufacturing	1675 South State Street, Ste B Dover, DE 19901, United States
* Essentra Packaging Inc.	US	Manufacturing	10 S Jefferson Street, Ste 1400 Roanoke, VA 24011, United States
* Essentra Plastics LLC	US	Manufacturing	1675 South State Street, Ste B Dover, DE 19901, 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	1315 W Lawrence Avenue, Springfield, IL 62704, United States
* Micro Plastics Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* 3C! Packaging, Inc	US	Manufacturing	1000 CCC Drive, Clayton, NC 27520, 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	1675 South State Street, Ste B Dover, DE 19901, United States
* Essentra Corporation	US	Holding Company	1675 South State Street, Ste B Dover, DE 19901, United States
* Essentra Holdings Corp. (DE)	US	Holding Company	1675 South State Street, Ste B Dover, DE 19901, United States
* US NewCo LLC.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* ESNT Components Co.	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	Beatrixstraat 7, BUITENPOST, 9285 TV, Netherlands
* Blue NewCo 2 B.V.	Netherlands	Holding Company	Beatrixstraat 7, BUITENPOST, 9285 TV, Netherlands
* Blue NewCo 3 B.V.	Netherlands	Holding Company	Beatrixstraat 7, BUITENPOST, 9285 TV, Netherlands
* Blue NewCo 4 B.V.	Netherlands	Holding Company	Beatrixstraat 7, BUITENPOST, 9285 TV, Netherlands
* ESNT Holdings Cooperative 1 W.A.	Netherlands	Holding Company	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands

Notes to the financial statements

for the year ended 31 December 2020 (continued)

13 Investments (continued)

	Country of incorporation	Principal activity	Address of registered office
* ESNT Holdings (Netherlands) B.V.	Netherlands	Holding Company	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* Essentra B.V.	Netherlands	Holding Company	Beatrixstraat 7, 9285 TV, Buitenpost, Netherlands
* Essentra Holdings Cooperative WA	Netherlands	Holding Company	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
* Essentra Holdings (No.2) Cooperative WA	Netherlands	Holding Company	Beatrixstraat 7, BUITENPOST, 9285 TV, 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	Beatrixstraat 7, 9285 TV, Buitenpost, Netherlands
* Fijnmechanica Surhuisterveen B.V.	Netherlands	Non-trading	Beatrixstraat 7, 9285 TV, Buitenpost, Netherlands
* Linde Vouwkartonnage B.V.	Netherlands	Non-trading	Beatrixstraat 7, 9285 TV, Buitenpost, 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	Unit 629 Ida Industrial Park Northern Extension, Old Kilmeaden Road, Watherford, 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	36 Robinson Road #17-01, City House, Singapore, 068877, Singapore
* Essentra Components GmbH	Austria	Distribution	Schubertring 6, 1010 Wien, Austria
* Essentra Pty Ltd	Australia	Manufacturing	503-505 Victoria Street, Wetherill Park, NSW, 2145, 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 2020 (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, Xinmaolou Building, 2 Taizhong South Road, China (Shanghai) Pilot Free Trade Zone, Pudong New Area, Shanghai, 200120, 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	Videňská 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	Filmstrasse. 5, D-06766, Edisonstrasse, Wolfen, 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	Holding Company	1113, Nagyszollos ut 11-15, Budapest, Hungary
* Essentra Filter Products Kft	Hungary	Manufacturing	2310 Szigetszentmiklos, Leshegy ut 30, Hungary
* PT Essentra Trading Surabaya	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, Dodajala 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	Casoni di Gariga, Via Copernico n. 54, Casoni PC, 29027, Italy

Notes to the financial statements

for the year ended 31 December 2020 (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	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 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
* ESNT Holdings S.A.U.	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 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 2020 (continued)

13 Investments (continued)

	Country of incorporation	Principal activity	Address of registered office
* Essentra Components S.L.U	Spain	Distribution	Calle Roure Gros 1-11, Poligono Industrial Mas d'En Cisa, 08181, Spain
* Essentra Components AB	Sweden	Manufacturing	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 Nikom 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	Distribution	Ilitelli Organzie Sanayi , , Bolgesi Metal Is San,Sit.7.Blok No24 Basaksehir, Istanbul, Turkey
* Essentra FZE	United Arab Emirates	Manufacturing	Plot No. S20403, Jebel Ali Free Zone (JAFZA), PO Box No 261392, 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 2020 (continued)

14 Debtors

	2020 £000	2019 £000
Trade debtors	161	176
Other debtors	1,851	1,685
Amounts owed by Group undertakings	8,908	10,882
Corporation tax	-	6,501
Prepayments and accrued income	712	2,941
Deferred tax asset (note 17)	4,720	3,100
	<u>16,352</u>	<u>25,285</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 (2019: £nil).

15 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	2,058	3,757
Amounts owed to Group undertakings	174,677	149,886
Other creditors	3,206	5,254
Tax and social security	1,394	828
Accruals and deferred income	3,930	5,141
	<u>185,265</u>	<u>164,866</u>

Included in amounts owed to Group undertakings is an amount of £154,888,000 (2019: £123,059,000) 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 balances are unsecured and repayable on demand.

16 Provisions for liabilities

A provision of £nil (2019: £2.3m) 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.

During the year, the Group reached a public settlement with the US Department of Justice and the US Office of Foreign Assets Control relating to these sanctioned market compliance failures. The full provision was released to the statement of comprehensive income as the settlements were made by another Group company.

A provision of £0.3m (2019: £nil) was provided for the Milton Keynes office dilapidations in relation to bringing the property back to its original condition.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

17 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	2020 Net	Assets	Liabilities	2019 Net
	£000	£000	£000	£000	£000	£000
Tangible assets ¹	1,821	-	1,821	506	-	506
Employee benefits ²	1,585	(464)	1,121	1,493	(650)	843
Other temporary differences ³	1,778	-	1,778	1,751	-	1,751
	<u>5,184</u>	<u>(464)</u>	<u>4,720</u>	<u>3,750</u>	<u>(650)</u>	<u>3,100</u>
Deferred tax asset/(liability)	5,184	(464)	4,720	3,750	(650)	3,100

¹ A deferred tax asset arises on tangible 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

	2020 £000	2019 £000
Deferred tax movements in the year:		
At beginning of year	3,100	2,708
Charge to the income statement in respect of the current year	(862)	(145)
Credit / (charge) to the income statement in respect of prior periods	1,758	(13)
Credit to other comprehensive income	190	526
Credit to reserves on share-based incentives	534	-
Change in tax rates	-	24
	<u>4,720</u>	<u>3,100</u>
At end of year	4,720	3,100

18 Called up share capital

	2020 £000	2019 £000
Issued and fully paid ordinary shares of £1 (2019: £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 2020 (continued)

19 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 2020 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.

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

	2020 £000	2019 £000
Amounts expensed against operating profit		
Defined contribution scheme	568	480
Defined benefit scheme – service cost and administrative expense	123	123
	<hr/>	<hr/>
Total operating expense	691	603
	<hr/>	<hr/>
Amounts included as other finance income		
Net interest on defined benefit scheme assets	(969)	(1,199)
Net interest on defined benefit scheme liabilities	898	1,093
	<hr/>	<hr/>
Net interest income	(71)	(106)
	<hr/>	<hr/>
Amounts recognised in the statement of comprehensive income		
Returns on defined benefit scheme assets excluding net interest income	3,724	4,362
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	(4,724)	(5,471)
	<hr/>	<hr/>
Remeasurement of defined benefit scheme	(1,000)	(1,109)
	<hr/>	<hr/>

Notes to the financial statements

for the year ended 31 December 2020 (continued)

19 Employee benefits (continued)

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

	2020 %	2019 %
Increase in salaries	n/a	n/a
Increase in pensions:		
at RPI capped at 5%	2.7	2.9
at CPI capped at 5%	2.2	2.1
at CPI minimum 3%, capped at 5%	3.1	3.1
at CPI capped at 2.5%	1.9	1.9
Discount rate	1.3	2.1
Inflation rate	2.5	2.6
Post-retirement mortality (in years):		
Males retiring today at age 65	22.5	22.3
Females retiring today at age 65	24.3	24.2
Males retiring in 20 years at age 65	23.8	23.7
Females retiring in 20 years at age 65	25.7	25.6

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 2021.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

19 Employee benefits (continued)

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:

	2020 £000	2019 £000
Quoted Equities	13,019	12,505
Bonds/LDI	36,822	34,327
Other	126	216
Fair value of scheme assets	49,967	47,048
Present value of scheme liabilities	(47,526)	(43,626)
Net retirement benefit assets	2,441	3,422

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	2020 Total £000	Defined benefit pension scheme assets £000	Defined benefit pension scheme liabilities £000	2019 Total £000
Beginning of year	47,048	(43,626)	3,422	42,755	(38,277)	4,478
Service cost and administrative expense	(123)	-	(123)	(123)	-	(123)
Return on plan assets excluding amounts in net interest income	3,724	-	3,724	4,362	-	4,362
Actuarial losses arising from change in financial assumptions	-	(6,851)	(6,851)	-	(5,559)	(5,559)
Actuarial (losses) / gains arising from demographic assumptions	-	(232)	(232)	-	480	480
Actuarial gains / (losses) arising from experience	-	2,359	2,359	-	(392)	(392)
Finance income/(expense)	969	(898)	71	1,199	(1,093)	106
Employee contributions	71	-	71	70	-	70
Benefits paid	(1,722)	1,722	-	(1,215)	1,215	-
Past service cost	-	-	-	-	-	-
End of year	49,967	(47,526)	2,441	47,048	(43,626)	3,422

Notes to the financial statements

for the year ended 31 December 2020 (continued)

19 Employee benefits (continued)

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 2020.

	(Increase)/decrease in scheme net liabilities £000
0.5% decrease in the discount rate	(4,874)
0.5% increase in the discount rate	4,226
1.0% decrease in the rate of inflation	3,626
1.0% increase in the rate of inflation	(4,874)
1 year decrease in life expectancy	(2,174)

20 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 £993,000 (2019 expense: £2,403,000). Details of these plans are set out below.

Share options outstanding

2020											
	At 1 Jan 2020	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 2020	Weighted average exercise price	Exercisable at 31 Dec 2020
LTIP Part A	50,090	601.3p	-	-	(23,584)	499.3p	-	-	26,506	692.0p	26,506
LTIP Part B	4,321,689	-	-	-	(1,101,615)	-	(113,060)	-	3,107,014	-	34,703
DASB	300,120	-	203,525	-	(23,800)	-	-	-	479,845	-	-
SAYE 3 year plan	156,301	342.9p	-	-	(30,483)	382.0p	-	-	125,818	333.4p	-
SAYE 5 year plan	66,955	327.1p	-	-	(7,879)	304.6p	-	-	59,076	330.1p	-
	4,895,155		203,525		(1,187,361)		(113,060)		3,798,259		61,209

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

Notes to the financial statements

for the year ended 31 December 2020 (continued)

20 Share-based payments (continued)

Fair value model inputs for share options outstanding

	2020				
	LTIP Part A	LTIP Part B	DASB	SAYE 3 year plan	SAYE 5 year plan
Weighted average fair value at grant	141.4p	288.0p	294.9p	98.9p	82.2p
Weighted average share price at grant	692.0p	412.5p	341.2p	416.7p	416.2p
Weighted average exercise price	692.0p	0.0p	0.0p	333.5p	415.5p
Weighted average volatility	27.0%	32.8%	36%	40.1%	36.0%
Weighted average dividend yield	1.8%	5.06%	4.15%	4.99%	5.00%
Weighted risk free rate	0.40%	0.54%	0.45%	0.72%	0.81%
Expected employee retention rates	85.0%	91.0%	100.0%	85.4%	90.0%
Expected term	3.00 years	3.00 years	3.00 years	3.18 years	5.19 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial

	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

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

	2020 and 2019				
	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 133 to 138 of the Essentra plc Annual Report 2020.

All options are equity-settled.

21 Ultimate parent company and parent undertaking of largest 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, Buckinghamshire, MK9 1AU, United Kingdom.