Essentra Services Limited

Directors' report and financial statements

Registered number 1288815

31 December 2020

Contents

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. In preparing this report, the Directors have taken advantage of the small companies exemptions provided by part 15 and section 414B of the Companies Act 2006.

Principal activities and business review

The Company is a wholly owned subsidiary of Essentra plc and its principal activity during the year was to act as a holding and investment company. There has been no significant change in the Company's activities since the balance sheet date and none is anticipated.

As shown in the Company's Statement of comprehensive income on page 9, the Company's loss before taxation increased from £3,848,389 to £5,991,674, when compared to the prior year. This is primarily driven by an impairment to the investment in Filtrona Limited of £1,976,000 (2019: £nil).

The balance sheet on page 10 of the financial statements shows the Company's financial position at the year end. Net liabilities have increased to £114,955,646 (2019: £108,963,972) as a result of the reported loss.

The activities of the Company are in line with the operational strategy of Essentra plc, of which Essentra Services 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.

Results and dividends

The loss for the financial year was £5,991,674 (2019: loss of £3,117,195).

The Directors do not propose the payment of a final dividend (2019: £nil).

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

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.

The principal risks faced by the Company are of a financial nature due to its principal activities. The Company is exposed to credit risk, market price risk and liquidity risk.

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 disclousure note on pages 188 to 194 of the Essentra plc Annual Report 2020.

Directors' report

for the year ended 31 December 2020 (continued)

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.

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.

Future outlook

The direct investment in Filtrona Limited is expected to continue for the foreseeable future. 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.

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 hold investments in other group companies, 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)

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the 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.

Directors' report

for the year ended 31 December 2020 (continued)

Statement of Directors' responsibilities (continued)

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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of 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
Buckinghamshire
MK9 1AU
United Kingdom

Independent auditors' report to the members of Essentra Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Essentra Services 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 Directors' report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; 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. 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.

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

Reporting on other information (continued)

With respect to the 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 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 Services 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Katherine Birch-Evans

Katherine Birch-Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
1 July 2021

Statement of comprehensive income

for the year ended 31 December 2020

	Note	**2020**	2019
		£	£
Administrative expenses		**(3,454)**	(5,138)
Impairment of investment	*3*	**(1,976,000)**	-
Operating loss	*4*	**(1,979,454)**	(5,138)
Interest payable and similar expenses	*6*	**(4,012,220)**	(3,843,251)
Loss before taxation		**(5,991,674)**	(3,848,389)
Tax on loss	*7*	-	731,194
Loss and total comprehensive income for the financial year		**(5,991,674)**	(3,117,195)

Balance sheet

at 31 December 2020

	Note	2020		2019	
		£	£	£	£
Fixed assets					
Investments	*8*		**37,120,000**		39,096,000
Current assets					
Debtors	9	-		731,194	
Creditors: amounts falling due within one year	*10*	**(152,075,646)**		(148,791,166)	
Net current liabilities			**(152,075,646)**		(148,059,972)
Total assets less current liabilities			**(114,955,646)**		(108,963,972)
Net liabilities			**(114,955,646)**		(108,963,972)
Capital and reserves					
Called up share capital	*11*		**400,000**		400,000
Accumulated losses			**(115,355,646)**		(109,363,972)
Total shareholders' deficit			**(114,955,646)**		(108,963,972)

The financial statements on pages 8 to 17 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

	Called up share capital	Accumulated losses	Total Shareholders' deficit
	£	£	£
Balance at 1 January 2019	**400,000**	**(106,246,777)**	**(105,846,777)**
Loss for the financial year	-	(3,117,195)	(3,117,195)
Total comprehensive income for the year	**-**	**(3,117,195)**	**(3,117,195)**
Balance at 31 December 2019	**400,000**	**(109,363,972)**	**(108,963,972)**
Loss for the financial year	-	(5,991,674)	(5,991,674)
Total comprehensive income for the year	**-**	**(5,991,674)**	**(5,991,674)**
Balance at 31 December 2020	**400,000**	**(115,355,646)**	**(114,955,646)**

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 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. It 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 Statement of comprehensive income. Exchange differences arising from movements in spot rates are included in the Statement of comprehensive income as exchange gains or losses. These exchange gains or losses are included within administration expenses in the Statement of comprehensive income.

Exchange gains or losses arising from the interest differential elements of forward currency contracts are included within interest receivable/payable and similar income/expenses.

Interest income and expense

Interest income and expense is recognised in the Statement of comprehensive income as it accrues.

Taxation

Income tax in the Statement of comprehensive income comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income 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.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Taxation (continued)

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.

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 profit or loss.

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.

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.

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.

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

Impairment

The Company has tested investments in subsidiary undertakings for impairment which requires judgement when determining the recoverable amount. In determining the recoverable amount of the investment in subsidiary undertakings 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.

3 Impairment of investment

	2020	2019
	£	£
Impairment of investment in Filtrona Limited	**1,976,000**	-

During the year the Company impaired its investment in its subsidiary shareholding Filtrona Limited as the underlying net assets of the investment had been reduced.

Notes to the financial statements

for the year ended 31 December 2020 (continued)

4 Operating loss

Auditors' remuneration:

	2020	2019
	£	£
Audit of these financial statements	**5,245**	5,138

5 Remuneration of Directors, staff numbers and costs

The Company had no employees in either the current or prior years and the Directors did not receive any fees or emoluments from the Company directly attributable to their position within the Company. All Directors' fees or emoluments were paid by Essentra International Limited and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated. No recharge has been made in the current or prior years for the services of the Directors.

6 Interest payable and similar expenses

	2020	2019
	£	£
Payable to group undertakings	**4,012,220**	3,843,251

7 Tax on loss

a) Amounts credited in the Statement of comprehensive income

	2020	2019
	£	£
Current tax	-	731,194
Tax credit on loss	-	731,194

b) Factors affecting the tax credit for the year

The total tax credit on loss 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 same as) the standard rate and the differences are explained below:

	2020	2019
	£	£
Loss before taxation	**(5,991,674)**	(3,848,389)
Tax credit on loss at 19% (2019: 19%)	**1,138,418**	731,194
Effects of:		
Expenses not deductible for tax purposes	**(375,440)**	-
Group relief surrendered for nil payment	**(762,978)**	-
Total tax credit reported in the Statement of comprehensive income (see above)	-	731,194

Notes to the financial statements

for the year ended 31 December 2020 (continued)

7 Tax on loss (continued)

c) 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.

8 Investments

	2020	2019
	£	£
Cost		
At beginning and end of year	**414,492,711**	414,492,711
Provision for impairment		
At beginning of year	**(375,396,711)**	(375,396,711)
Impairment charge (note 3)	**(1,976,000)**	-
At end of year	**(377,372,711)**	(375,396,711)
Net book value		
At end of year	**37,120,000**	39,096,000

During the year the Company impaired its investment in its subsidiary shareholding Filtrona Limited as the underlying net assets of the investment had been reduced. In the opinion of the Directors, after this impairment the investments in the Company's principal subsidiary undertaking at the year end are worth at least the amount at which they are stated in the balance sheet.

The subsidiary company in which the Company's interest at the year end was 100% of the ordinary share capital was as follows:

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Registered office**
Filtrona Limited	UK	Non trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom

9 Debtors

	2020	2019
	£	£
Corporation tax	-	731,194
	-	731,194

Notes to the financial statements

for the year ended 31 December 2020 (continued)

10 Creditors: amounts falling due within one year

	2020	2019
	£	£
Amounts owed to group undertakings	**152,075,646**	148,782,437
Accruals and deferred income	-	8,729
	152,063,463	148,791,166

Included in the amounts owed to group undertakings is a balance of £65,453,167 (2019: £30,082,839) 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").

Amounts owed to group undertakings also includes a balance of £86,610,296 (2019: £85,087,234) is owed to Filtrona Limited. This balance relates to a £80,000,000 loan agreement which accrues interest at a rate of 1.79% and is repayable in 2021.

The remaining component of the balance held in amounts owed to group undertakings of £12,183 (2019: £nil) is due to Essentra International Limited.

During the year a £30,000,000 promissory note owed to Filtrona Limited that accrued interest at a rate of 2.651% per annum was settled in full. In the prior year amounts owed to group undertakings included a balance of £33,612,364 relating to this promissory note.

11 Called up share capital

	2020	2019
	£	£
Issued and fully paid ordinary shares of £1 (2019: £1) each	**400,000**	400,000
	2020	2019
	No.	No.
Number of ordinary shares in issue		
At beginning and end of year	**400,000**	400,000

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

The Company's immediate parent undertaking is Essentra International Limited, a company incorporated in England and Wales.

The 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.