

**ESNT International Limited**

**Strategic report, Directors' report and financial statements**

**Registered number 1935353**

**31 December 2019**



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## Strategic report

### Principal activities and business review

The Company is a wholly owned subsidiary of Essentra plc and its principal activity during the year has been 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 income statement on page 9, the Company reported a loss before taxation of £23,996,000 compared with a profit of £3,027,000 in the prior year. The loss was primarily driven by amounts written off investments of £25,146,000 (2018: £681,000), which incurred following an assessment of values held against investments.

Profitability was also impacted by the part reversal of a dividend distribution by Essentra International GmbH during 2017. This dividend was reassessed by the directors of the subsidiary and noted that the dividend was not supported by the value of distributable reserves held by this subsidiary. The dividend reversal of £5,111,000 represented the delta value between the original dividend distributable of £39,310,000 and reserves value available to distribute according to local company law of £34,199,000.

The balance sheet on page 10 of the financial statements shows the Company's financial position at the year end. The net liability position increased to £26,549,000 from £4,950,000 as a result of the reported loss for the year.

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

### Principal risks and uncertainties

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

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 disclosure note on pages 158 to 163 of the Essentra plc Annual Report 2019.

### Key performance indicators

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

### Environment

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

## Strategic report (continued)

### Health and safety

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

By order of the board



**Emma Reid**  
*Company Secretary*

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

17 July 2020

## Directors' report

### *for the year ended 31 December 2019*

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

#### **Results and dividends**

The loss for the financial year was £21,599,000 (2018: profit of £5,859,000).

Dividend income in the year of £21,423,000 (2018: £18,828,000) was received from subsidiary undertakings. Total income was reduced by a dividend reversal of £5,111,000 from Essentra International GmbH, relating to a dividend declared in the financial year ended 31 December 2017, that was not supported by an appropriate level of distributable reserves in that undertaking.

During the year no dividends were paid to the holder of the ordinary share capital (2018: £nil). The Directors do not propose the payment of a final dividend (2018: £nil).

#### **Directors**

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

J Green  
L Liu

#### **Policy and practice on payment of creditors**

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

#### **COVID-19**

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

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

The directors of the company concluded that from the company's prospective, this global pandemic is a non adjusting post balance sheet event.

#### **Going concern**

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

## **Directors' report**

**for the year ended 31 December 2019 (continued)**

### **Going concern (continued)**

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

### **Future outlook**

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

### **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 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.

that being:

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 the financial year. 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 the financial year. (United Kingdom Accounting Standards' comprising FRS 101 'Reduced Disclosure Framework', and directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are responsible for preparing the Strategic report, Directors' report and financial statements in accordance with applicable law and regulation.

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General meeting.

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

information.

- of any relevant audit information and to establish that the company's auditors are aware of that information. 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.

unaware, and

- so far as the director is aware, there is no relevant audit information of which the company's auditors are

in the case of each director in office at the date the Directors' report is approved:

Directors' statement as to disclosure of information to the auditors

responsibilities as a director or officer of the company.

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 to the extent permitted by law and the company's articles 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 officers of the company 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' indemnities

Report 2023 on pages 5 to 18.

Further details of the Group's outlook please refer to the Group Business Review section of the Essential 2023 Annual Report. The investments in trading companies with an international presence is expected to continue in the company for

future outlook

concern even in the event of potential severe downside scenarios materialising.

By the scenario planning exercise outlined above, the directors have concluded that the Group will remain a going concern based on a variety of possible future events, based on the forecasts prepared by management supported by the scenario planning to assess its ability to continue to operate as a going concern for the immediate and short term period. However, the challenging macro economic conditions created by the Covid-19 pandemic, the Group has been actively monitoring its trading and cash flow positions to ensure it remains a going concern.

Going concern (continued)

for the year ended 31 December 2023 (continued)

Directors' report

## Directors' report

for the year ended 31 December 2019 (continued)

### Statement of Directors' responsibilities (continued)

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

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

17 July 2020



# **Independent auditors' report to the members of ESNT International Limited**

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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 2019; the Income statement, 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.

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### **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.

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

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

## **Independent auditors' report to the members of ESNT International Limited (continued)**

### **Reporting on other information (continued)**

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

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

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

### **Strategic report and Directors' report**

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

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

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### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the Directors for the financial statements**

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

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

#### **Auditors' responsibilities for the audit of the financial statements**

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

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

#### **Use of this report**

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

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

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### Other required reporting

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#### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

*Katherine Birch-Evans*

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

17 July 2020

## Income statement

*for the year ended 31 December 2019*

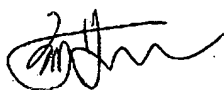
	<i>Note</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
Administrative expenses		<b>(973)</b>	<b>(1,353)</b>
Foreign exchange (losses) / gains		<b>(9)</b>	<b>166</b>
		<hr/>	<hr/>
<b>Operating loss</b>	<b>3</b>	<b>(982)</b>	<b>(1,187)</b>
Income from shares in group undertakings	<b>5</b>	<b>21,423</b>	<b>18,828</b>
Reversal of income from shares in group undertakings	<b>6</b>	<b>(5,111)</b>	<b>-</b>
Amounts written off investments		<b>(25,146)</b>	<b>(681)</b>
Interest payable and similar expenses	<b>7</b>	<b>(14,180)</b>	<b>(13,933)</b>
		<hr/>	<hr/>
<b>(Loss) / profit before taxation</b>		<b>(23,996)</b>	<b>3,027</b>
Taxation	<b>8</b>	<b>2,397</b>	<b>2,832</b>
		<hr/>	<hr/>
<b>(Loss) / profit and total comprehensive income for the financial year</b>		<b>(21,599)</b>	<b>5,859</b>
		<hr/>	<hr/>

## Balance sheet

at 31 December 2019

	Note	2019		2018	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	9		264,380		289,526
Other investments	9		1,494		1,494
			<u>265,874</u>		<u>291,020</u>
<b>Current assets</b>					
Debtors	10	13,686		15,871	
<b>Creditors: amounts falling due within one year</b>	11	(306,109)		(311,841)	
		<u></u>		<u></u>	
<b>Net current liabilities</b>			(292,423)		(295,970)
			<u></u>		<u></u>
<b>Net liabilities</b>			(26,549)		(4,950)
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	12		58,438		58,438
Accumulated losses			(84,987)		(63,388)
			<u></u>		<u></u>
<b>Total Shareholders' deficit</b>			(26,549)		(4,950)
			<u></u>		<u></u>

The financial statements on pages 9 to 23 were approved by the board of Directors on 17 July 2020 and were signed on its behalf by:



L Liu  
Director

**Statement of changes in equity**  
*for the year ended 31 December 2019*

<i>Note</i>	<b>Called up share capital</b>	<b>Accumulated losses</b>	<b>Total shareholders' deficit</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 January 2018</b>	<b>58,438</b>	<b>(69,247)</b>	<b>(10,809)</b>
Profit for the financial year	-	5,859	5,859
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5,859</b>	<b>5,859</b>
<b>Balance at 31 December 2018</b>	<b>58,438</b>	<b>(63,388)</b>	<b>(4,950)</b>
Loss for the financial year	-	(21,599)	(21,599)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(21,599)</b>	<b>(21,599)</b>
<b>Balance at 31 December 2019</b>	<b>58,438</b>	<b>(84,987)</b>	<b>(26,549)</b>

## Notes to the financial statements

for the year ended 31 December 2019

### 1 Accounting policies

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

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

#### *Basis of preparation*

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

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

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

- the requirements of paragraph 45(b) and 46-52 of IFRS 2 *Share-Based Payment*;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- the requirement of IFRS 7 *Financial Instruments: Disclosures*;
- the requirement of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- 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 2019* (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. Despite the net liability position of the Company, the Directors have no reason to believe that a material uncertainty exists that casts significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis that Essentra plc has agreed in writing to provide financial and other support to the Company for the twelve months from the date of approval of these financial statements, the Company's Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and have therefore adopted the going concern basis of accounting in preparing the financial statements.

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

#### *New standards, amendments and IFRIC interpretations*

During the year the Company adopted IFRS 16: Leases, this standard had no material impact as the Company does not hold any leases. No other new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019.

#### *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 included within administration expenses in the income statement.

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 income statement as it accrues.

#### *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.



## Notes to the financial statements

*for the year ended 31 December 2019* (continued)

### 1 Accounting policies (continued)

#### ***Taxation*** (continued)

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 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.

#### ***Financial assets***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included 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 costs 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.

#### ***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.

## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 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 it is necessary to make a series of assumptions to estimate the present value of future cash flows in the subsidiary undertaking. When the carrying amount of the net assets held by the subsidiary undertaking are higher than the present value of its future cash flows, this value is deemed to be the recoverable amount. The assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

### 3 Operating loss

Auditors' remuneration:

	2019 £000	2018 £000
Audit of these financial statements	5	5

### 4 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 Essentra Pte. Limited (a Company based and incorporated in Singapore) 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.

### 5 Income from shares in group undertakings

	2019 £000	2018 £000
Income from shares in Essentra B.V.	14,336	16,828
Income from shares in Essentra (Great Harwood) Ltd.	3,235	-
Income from shares in Essentra (Hull) Ltd.	487	-
Income from shares in Essentra (Kimbolton) Ltd.	1,867	-
Income from shares in Essentra (Northampton) Ltd.	1,498	-
Income from shares in Essentra Overseas Limited	-	2,000
Income from shares in group undertakings	21,423	18,828

## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 6 Reversal of income from shares in group undertakings

	2019 £000	2018 £000
Reversal of income from shares in Essentra International GmbH	5,111	-
Reversal of income from shares in group undertakings	5,111	-

The reversal of income from shares in Essentra International GmbH relates to a distribution during the year ended 31 December 2017. This distribution was reassessed and noted that the dividend was not supported by the value of distributable reserves held by this subsidiary. The reversal value of £5,111,000 represents the delta value between the original dividend distributable of £39,310,000 and the reserves value available to distribute according to local company law of £34,199,000.

### 7 Interest payable and similar expenses

	2019 £000	2018 £000
Payable to group undertakings	14,180	13,933

### 8 Taxation

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

	2019 £000	2018 £000
Current tax	2,697	2,873
Adjustments in respect of prior years	(300)	(41)
Tax credit on (loss) / profit	2,397	2,832

## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 8 Taxation (continued)

#### 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% (2018: 19%). The tax credit is lower than (2018: credit lower than) the standard rate and the differences are explained below:

	2019 £000	2018 £000
(Loss) / profit before taxation	(23,996)	3,027
Tax credit / (charge) on (loss) / profit at 19% (2018: 19%)	4,559	(575)
Effects of:		
Non taxable dividend income	4,070	3,577
Non taxable dividend income reversal	(971)	-
Expenses not deductible for tax purposes	(4,961)	(129)
Adjustments in respect of prior years	(300)	(41)
Total tax credit reported in the income statement (see above)	2,397	2,832

#### c) Change in corporation tax rate

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

## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 9 Investments

	Investments in subsidiary undertakings £000	Other investments £000	Total £000
<b>Cost</b>			
At beginning and end of year	569,344	1,494	570,838
<b>Provision for impairment</b>			
At beginning of year	279,818	-	279,818
Impairment charge	25,146	-	25,146
At end of year	304,964	-	304,964
<b>Net book value</b>			
At 31 December 2019	264,380	1,494	265,874
At 31 December 2018	289,526	1,494	291,020

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

Subsidiary undertakings	Country of Incorporation	Principal activity	Address of registered office
Essentra (Bangor) Ltd.	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 Overseas Limited	UK	Holding Company	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra (Kilmarnock) Ltd.	UK	Non-trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra (Northampton) Ltd.	UK	Non-trading	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra (Great Harwood) Ltd.	UK	Dissolved—4 <sup>th</sup> February 2020	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra (Hull) Ltd.	UK	Dissolved—4 <sup>th</sup> February 2020	Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 1AU, United Kingdom
Essentra (Kimbolton) Ltd.	UK	Dissolved—4 <sup>th</sup> February 2020	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
*Essentra Components Inc.	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States

## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 9 Investments (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Address of registered office
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 Components Inc.	US	Non-trading	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
* US LLC 2, LLC	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
*Essentra Components B.V.	Netherlands	Distribution	Den Belleman 9, 5571 NR Bergeyk, Netherlands
*Essentra Packaging B.V.	Netherlands	Distribution	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
Blue NewCo 1 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, 1082 MA, Amsterdam, Netherlands
*Blue NewCo 2 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, 1082 MA, Amsterdam, Netherlands
*Blue NewCo 3 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, 1082 MA, Amsterdam, Netherlands
*Blue NewCo 4 B.V.	Netherlands	Holding Company	Gustav Mahlerplein 68, 1082 MA, Amsterdam, Netherlands
*ESNT Holdings Cooperatie 1 W.A.	Netherlands	Holding Company	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
Essentra B.V.	Netherlands	Holding Company	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
*ESNT Holdings Cooperatie 2 W.A.	Netherlands	Non-trading	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
*Fijnmechanica Surhuisterveen B.V.	Netherlands	Non-trading	Celsiusweg 37, 8912 AM, Leeuwarden, Netherlands
*Linde Vouwkartonnage B.V.	Netherlands	Non-trading	Hanzeweg 14, 7591 BK, Denekamp, Netherlands
*Richco Benelux B.V.	Netherlands	Non-trading	Beeldschermweg 5-3, 3821 AH Amersfoort, Netherlands
*Skiffy B.V.	Netherlands	Non-trading	Den Belleman 9, 5571 NR, Bergeijk, Netherlands
Essentra Packaging Ireland Limited	Ireland	Manufacturing	8 Airways , Industrial Estate, Dublin 17, Ireland
*ESNT (Cherry Orchard) Holdings Limited	Ireland	Holding Company	8 Airways , Industrial Estate, Dublin 17, Ireland
*C.B. Packaging Limited	Ireland	Non-trading	8 Airways Industrial Estate, Dublin 17, Ireland
*ESNT (Cherry Orchard) Limited	Ireland	Non-trading	8 Airways Industrial Estate, Dublin 17, Ireland
Essentra Pty Ltd	Australia	Treasury activities	32 Clyde Street, Rydalmere NSW 2116, Australia
Essentra Industria E Comercio LTDA	Brazil	Manufacturing	Room 7, No 1000 Avenida Emilio Marconato, Centro Comercial, Chacara Primavera, Jaguariuna, Sao Paulo, 13.916-074, Brazil
Essentra Precision Machinery Components (Ningbo) Co. Ltd.	China	Manufacturing	99 Huanghai Road, Beilun District, Ningbo, Zhejiang Province, China
*Essentra Trading (Ningbo) Co. Ltd	China	Distribution	No.99 Huanghai Road, Beilun District, Ningbo, Zhejiang Province, China
*Essentra Components International Trading (Shanghai) Co Ltd	China	Holding Company	Room 347, Xinmao Building, 2 Taizhong South Road, China

## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 9 Investments (continued)

Subsidiary undertakings	Country of Incorporation	Principal activity	Address of registered office
*Essentra Plastic Trading (Ningbo) Co. Ltd	China	Holding Company	99 Huanghai Road, Beilun District, Ningbo, Zhejiang, China
Essentra Components sro	Czech Republic	Distribution	Dornych 47, Brno, 617 00, Czech Republic
*Essentra Packaging S.a.r.l.	France	Holding Company	F-27200, Sarreguemines, Rue Guillaume, Schoettke, France
Essentra Components SAS	France	Non-trading	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	Manufacturing	Herrenpfad Süd 36, 41334, Nettetal, Germany
Essentra Components Kft	Hungary	Distribution	2040 Budaors Gyar u. 2., Hungary
*Essentra Packaging Luxembourg Sarl	Luxembourg	Non-trading	1, Zone Industrielle Bombicht, L-6947, Niederanven, Luxembourg
*Abric Encode Sdn Bhd	Malaysia	Non-trading	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Essentra Malaysia Sdn Bhd	Malaysia	Distribution	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia
Essentra Asia Sdn Bhd	Malaysia	Manufacturing	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia
Essentra Components SEA (M) Sdn Bhd	Malaysia	Non-trading	Teamwork Management Services Sdn Bhd, 83a Jalan SS 15/5A, 47500 Subang Jaya, Selangor, Malaysia
Essentra Filter Products S.A.	Paraguay	Manufacturing	Calle 12, Acacary, Ciudad del Este, Paraguay
*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.	Republic of Korea	Manufacturing	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
*Essentra St Petersburg Limited Liability Company	Russia	Distribution	4a Finlyandskiy Prospect, 194044, St. Petersburg, Russian Federation
*Essentra Components (Pty) Limited	South Africa	Distribution	PriceWaterhouseCoopers, 32 Ida Street, Menlo Park, Pretoria 0081, South Africa
*Clondalkin Holdings SA	Spain	Holding Company	Carrer dels Fusters 18-20, Poligono Industrial Can Cuyas, Montcada i Reixac, 08110, Barcelona, Spain
*Essentra Components S.L.U	Spain	Manufacturing	Calle Roure Gros 1-11, Poligono Industrial Mas d'En Cisa, 08181, Spain
*Essentra Packaging SA	Spain	Manufacturing	Carrer dels Fusters 18-20, Poligono Industrial Can Cuyas, Montcada i Reixac, 08110, Barcelona, Spain
*Nekicesa Global Packaging SL	Spain	Non-trading	Ctra. De Navalcarnero a Chinchon km., 21,2 Grinon, 28971, Madrid, Spain
*Nekicesa Packaging SL	Spain	Manufacturing	Ctra. De Navalcarnero a Chinchon km., 21,2 Grinon, 28971, Madrid, Spain

## Notes to the financial statements

*for the year ended 31 December 2019* (continued)

### 9 Investments (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Address of registered office
Essentra Components AB	Sweden	Distribution	Askims Verkstadsvag 13Sweden, 436 34 Askim, Vastra Gotalands lan, Goteborg kommun, Sweden
*Essentra Eastern Limited	Thailand	Manufacturing	111/5 Moo 2 Tambon Makamku, Amphur Nikom Pattana, Rayong Province, Thailand
Mesan Kilit A.S.	Turkey	Manufacturing	Ilitelli Organzie Sanayi , , Bolgesi Metal Is San,Sit.7.Blok No24 Basaksehir, Istanbul, Turkey

\* 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 Essentra Filter Products SA which is 99.926% owned by the Company through holding of ordinary shares in these companies. During the year the company indirectly acquired 100% of the ordinary shares in Nekicesa Global Packaging SL & Nekicesa Packaging SL, otherwise the shareholding position for the subsidiaries listed above is consistent at the balance sheet date with the comparative year.

In the opinion of the Directors, the investments in and the amounts owed by the Company's subsidiary undertakings at the year end are worth at least the amount at which they are stated in the balance sheet. Other investments were as follows:

Other Investments	Country of registration or incorporation	Principal activity	Class and percentage of shares	Address of registered office
Essentra Packaging GmbH	Germany	Trading	10% Ordinary shares	D-06766 Wolfen , Edisonstrasse, Germany

### 10 Debtors

	2019 £000	2018 £000
Amounts due from group undertakings	10,989	12,998
Corporation tax	2,697	2,873
	<u>13,686</u>	<u>15,871</u>

Included in the amounts owed by group undertaking are £10,465,000 (2018: £10,465,000) owed by Essentra International Limited. The remaining balance of £524,000 (2018: £533,000) is due from Abric Encode Sdn Bhd, is valued in the reported UK Sterling currency after conversation from the dominated currency of Malaysian Ringgit, using appropriate rates of exchange.

In the prior year, amounts owed by group undertakings also included £2,000,000 owed by Essentra Overseas Limited, one of the company's direct subsidiaries. This value was in respect of dividend income reported in the comparative year that was cash settled during the reported year.

All amounts due from group undertakings are balances held under normal commercial terms and interest is not charged. These undertakings are unsecured and repayable on demand.



## Notes to the financial statements

for the year ended 31 December 2019 (continued)

### 11 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	305,053	310,842
Accruals and deferred income	1,056	999
	<u>306,109</u>	<u>311,841</u>

Included in amounts owed to group undertakings is an amount of £304,600,000 (2018: £310,389,000) 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.

### 12 Called up share capital

	2019 £000	2018 £000
Ordinary shares of £1 (2018: £1) each	1	1
	<u>1</u>	<u>1</u>
	2019 No.	2018 No.
Number of ordinary shares in issue		
At beginning and end of year	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	2019 £000	2018 £000
Ordinary shares of £58,437,000 (2018: £58,437,000) each	58,437	58,437
	<u>58,437</u>	<u>58,437</u>
	2019 No.	2018 No.
Number of ordinary shares in issue		
At beginning and end of year	1	1
	<u>1</u>	<u>1</u>

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

## Notes to the financial statements

*for the year ended 31 December 2019* (continued)

### 14 Post balance sheet event

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

#### **COVID-19**

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

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

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