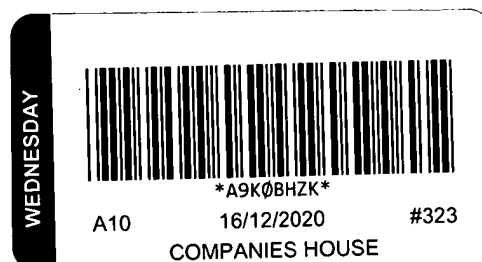


Company Registration No. 02783546
Registered in England

ECOPAC (U.K.) LIMITED

Report and Financial Statements

30 April 2020



ECOPAC (U.K.) LIMITED

REPORT AND FINANCIAL STATEMENTS 2020

| CONTENTS | Page |
|---|-------------|
| Officers and professional advisers | 1 |
| Strategic report | 2 |
| Directors' report | 3 |
| Statement of directors' responsibilities | 4 |
| Independent auditor's report | 5 |
| Profit and loss account | 8 |
| Statement of changes in equity | 8 |
| Balance sheet | 9 |
| Notes to the financial statements | 10 |

ECOPAC (U.K.) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J.P.Bennett
P.D. Atkinson
I. Gray
J. Love

COMPANY SECRETARY

I. Gray

REGISTERED OFFICE

Siskin Parkway East
Middlemarch Business Park
Coventry CV3 4PE

INDEPENDENT AUDITOR

Magma Audit LLP
Unit 2
Charnwood Edge Business Park
Syston Road
Leicester LE7 4UZ

STRATEGIC REPORT

The Directors present their strategic report for the year ended 30 April 2020.

REVIEW OF THE BUSINESS

Principal activity

The principal activity of the Company is the distribution of packaging products. The Company is a wholly owned subsidiary of Macfarlane Group PLC ("the Group"), a company registered in Scotland and listed on the London Stock Exchange. Further information is contained in the consolidated accounts for Macfarlane Group PLC, which can be accessed at www.macfarlanegroup.com.

The directors are satisfied with the performance in the year reflecting improved margins and profitability.

RISKS AND UNCERTAINTIES

As a distributor in a market where products are vulnerable to commodity-based raw material prices and manufacturer energy costs, profitability is sensitive to supplier price changes, including changes relating to exchange rate movements. The Company works closely with its supplier base to manage effectively the pass through of supplier price changes to the customer base.

The Company has a significant investment in working capital in the form of trade debtors and stocks and there is a risk that this investment is not fully recovered. This risk is mitigated by applying rigour to the management of trade debtors. Stock levels and order patterns are regularly reviewed.

The Company has carried out an impact analysis and evaluated the potential short to medium-term implications of a no-deal Brexit including reversion to World Trade Organisation tariffs at 31 December 2020. As a business with the majority of its trade in the UK, the principal impact of a no-deal Brexit would be reduced levels of business caused by any significant downturn in the UK economy.

FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial assets are trade debtors and the Company's credit risk is primarily attributable to its trade debtors. The Company has no significant concentration of credit risk, with its exposure spread over a large number of customers. The Company's principal financial liabilities are bank borrowings, trade creditors, obligations under finance leases and intercompany creditors, which are paid under standard terms. The Directors believe that the Company is adequately placed to manage its financial risks given the current economic outlook.

GOING CONCERN

As a wholly owned subsidiary of Macfarlane Group PLC, the Company is funded by having access to the Group's borrowing facility with Lloyds Banking Group PLC of £30 million which is in place until June 2022. The ultimate parent company, Macfarlane Group PLC has carried out scenario planning for the continuing effects of the Covid-19 pandemic considering impacts on sales, profitability, cash flow, bad debt risk and the health, safety and well-being of all employees. This planning is constantly under review and based on experience to date, demonstrates that the Group is robust enough to operate safely, profitably and within its borrowing facilities under all reasonable scenarios.

The Directors of Ecopac (U.K.) Limited are of the opinion that the Company's cash flow forecasts and revenue projections, taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the Company should be able to operate within its current facilities and that the Group will continue to comply with its banking covenants.

After making enquiries, the Directors of Ecopac (U.K.) Limited have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period extending at least twelve months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors and signed by order of the Board


Ivor Gray
Company Secretary
27 November 2020

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 April 2020.

The Directors during the year and to the date of this report were:-

| | |
|--------------|---------------|
| J.P. Bennett | P.D. Atkinson |
| I. Gray | J. Love |

D.L.H Quirk resigned as a director of the Company on 15 May 2020.

PARENT COMPANY

The Company is a wholly owned subsidiary of Carnweather Limited.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year are detailed in the profit and loss account on page 8 and the profit for the financial year of £462,000 (2019: £353,000) has been transferred to reserves. Dividends of £175,000 were paid during the current year (2019: £470,000).

FINANCIAL INSTRUMENTS

The Company does not use complex financial instruments. The Company's financial instruments comprise cash and other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The Company has not entered into any derivative financial instruments. The Company does not believe it will be exposed to any significant risks due to the nature of the financial instruments in the operation.

EMPLOYMENT OF DISABLED PERSONS

Company policy is to encourage the employment of disabled persons where the disabilities do not hinder these persons in the performance of their duties. Where an employee becomes disabled every effort is made to re-settle that employee in a suitable post. Registered disabled persons, once employed, receive equal opportunities for training, career development and promotion.

EMPLOYEE INVOLVEMENT

The Directors recognise the importance of meaningful communication and consultation in maintaining good employee relations.

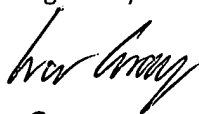
DISCLOSURE OF INFORMATION TO AUDITOR

The Directors holding office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware. Each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Magma Audit LLP were appointed as auditor to the Company during the year.

Approved by the Board of Directors
and signed by order of the Board



Ivor Gray
Company Secretary
27 November 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECOPAC (U.K.) LIMITED

Opinion

We have audited the financial statements of Ecopac (U.K) Limited (the 'company') for the year ended 30 April 2020, which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Notes to the Financial Statements, Including a summary of significant accounting, policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

The Company was not audited in the prior period ending on 30 April 2019

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECOPAC (U.K.) LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECOPAC (U.K.) LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Magma Audit LLP

Luke Turner ACA FCCA (Senior Statutory Auditor)

For and on behalf of Magma Audit LLP

Chartered Accountants

Statutory Auditor

Unit 2, Charnwood Edge Business Park

Syston Road

Leicestershire

LE7 4UZ

Date: *02/12/20*

ECOPAC (U.K.) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 April 2020

| | Note | 2020 £000 | 13 months ended 30 April 2019 £000 (unaudited) |
|---|------|--------------|---|
| TURNOVER – continuing operations | 2 | 6,359 | 6,910 |
| Cost of sales | | 4,325 | 4,843 |
| GROSS PROFIT | | 2,034 | 2,067 |
| Administrative expenses | | 1,454 | 1,624 |
| OPERATING PROFIT - continuing operations | 3 | 580 | 443 |
| Net interest payable | 4 | 11 | - |
| PROFIT BEFORE TAX | | 569 | 443 |
| Tax on profit | 6 | 107 | 90 |
| PROFIT FOR THE FINANCIAL YEAR | | 462 | 353 |

There is no other comprehensive income, other than the profit shown above.

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 April 2020

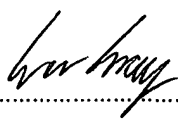
| | Note | Share Capital £000 | Profit and Loss Account £000 | Total Equity £000 |
|-------------------------|------|--------------------------|---------------------------------------|-------------------------|
| At 1 April 2018 | | - | 966 | 966 |
| Profit for the year | | - | 353 | 353 |
| Dividends paid | 7 | - | (470) | (470) |
| At 30 April 2019 | | - | 849 | 849 |
| Profit for the year | | - | 462 | 462 |
| Dividends paid | 7 | - | (175) | (175) |
| At 30 April 2020 | | - | 1,136 | 1,136 |

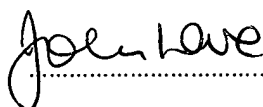
ECOPAC (U.K.) LIMITED

BALANCE SHEET 30 April 2020

| | Note | 2020 £000 | 2019 £000 (unaudited) |
|---|------|--------------|-----------------------------|
| NON-CURRENT ASSETS | | | |
| Tangible assets | 9 | 103 | 124 |
| Right of Use assets | 10 | 297 | - |
| TOTAL NON-CURRENT ASSETS | | 400 | 124 |
| CURRENT ASSETS | | | |
| Stocks | 11 | 396 | 395 |
| Debtors | 12 | 1,032 | 1,208 |
| Cash at bank and in hand | | 420 | 208 |
| | | 1,848 | 1,811 |
| CREDITORS: amounts falling due within one year | 13 | 1,096 | 1,064 |
| NET CURRENT LIABILITIES | | 752 | 747 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,152 | 871 |
| Deferred taxation | 14 | (16) | (22) |
| NET ASSETS | | 1,136 | 849 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | - | - |
| Profit and loss account | 17 | 1,136 | 849 |
| TOTAL SHAREHOLDER'S FUNDS | | 1,136 | 849 |

These financial statements of Ecopac (U.K.) Limited, company number 1630389, were approved by the Board of Directors on 27 November 2020 and signed on behalf of the Board of Directors by


..... Director
Ivor Gray


..... Director
John Love

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

1. ACCOUNTING POLICIES

Ecopac (U.K.) Limited is a private company limited by shares, incorporated and domiciled in England and Wales. The Company's registered office is Siskin Parkway East, Middlemarch Business Park, Coventry CV3 4PE.

The Company meets the definition of a qualifying entity under "*FRS 100 Application of Financial Reporting Requirements*" issued by the FRC and accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("*FRS 101*").

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

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company's ultimate parent undertaking, Macfarlane Group PLC includes the Company in its consolidated financial statements. Under Section 401 of the Companies Act 2006, the Company is therefore exempt from the requirement to prepare group financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

The consolidated financial statements of Macfarlane Group PLC are prepared in accordance with Adopted IFRSs and are available on the Group website www.macfarlanegroup.com and may be obtained from 3 Park Gardens, Glasgow, G3 7YE.

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

- (i) Cash flow statement and related notes;
- (ii) Comparative period reconciliations for share capital, tangible assets, Right of Use assets and intangible assets;
- (iii) Disclosures in respect of transactions with wholly owned subsidiaries;
- (iv) Disclosures in respect of capital management;
- (v) The effects of new but not yet effective IFRSs; and
- (vi) Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Macfarlane Group PLC include equivalent disclosures, the Company has also applied the exemptions under FRS 101 available for the following disclosures:

- (i) Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets;
- (ii) Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- (iii) Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

1. ACCOUNTING POLICIES (CONTINUED)

Going concern

The Directors are of the opinion that the Company's cash flow forecasts and revenue projections, taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the Company should be able to operate within its current facilities and that the Group will continue to comply with its banking covenants.

The ultimate parent company, Macfarlane Group PLC has carried out scenario planning for the continuing effects of the Covid-19 pandemic considering impacts on sales, profitability, cash flow, bad debt risk and the health, safety and well-being of all employees. This planning is constantly under review and based on experience to date, demonstrates that the Group is robust enough to operate safely, profitably and within its borrowing facilities under all reasonable scenarios.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Due to the nature of estimation, the actual outcomes may well differ from these estimates. No significant judgements have been made in the current or prior year.

The key sources of estimation uncertainty that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Valuation of trade receivables

The provision held against trade receivables is based on applying an expected credit loss model and related estimates of recoverable amounts, as detailed in note 24. Whilst every attempt is made to ensure that the provision held against doubtful trade receivables is as accurate as possible, there remains a risk that the provision may not match the level of debt which ultimately proves uncollectable. An increase in the average default rate of trade receivables beyond terms from 0.50% to 1.50% above the historic loss rates observed would lead to an increase in the provision of £4,000.

Changes in accounting policies and applications of new accounting standards

IFRS 16 "Leases" was applied in these accounts with effect from 1 May 2019 using the modified retrospective approach.

Application of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the preparation of these financial statements.

The financial statements are prepared on the historical cost basis except that certain of the following assets and liabilities are stated at their fair value as explained on the following pages.

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

1. ACCOUNTING POLICIES (CONTINUED)

Tangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. No depreciation is provided on land. Depreciation is calculated at fixed rates on a reducing balance basis to write off the cost or valuation of the assets to their estimated residual values over the period of their expected useful lives. The rates of depreciation vary between 15% - 25% per annum on plant and equipment. Rates of depreciation are reviewed annually to ensure they remain relevant and residual values are reviewed once in each calendar year.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less an allowance for expected credit losses ("ECL").

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Stocks

Stocks are stated at the lower of cost and net realisable value. Such cost is determined by purchase cost and is stated less any provisions required for obsolescence. In the case of work in progress and finished goods, cost comprises material and labour costs plus attributable manufacturing overheads, based on normal operating capacity.

Leases and Right of Use ("ROU") assets

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets below £4,000. For these short-term or low value leases, the Company recognises the lease payments as an operating expense disclosed in administrative expenses on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

For all other leases, the lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the liability by payments made. The Company remeasures the lease liability (and adjusts the related right-of-use asset) whenever the lease term has changed or a lease contract is modified and the modification is not accounted for as a separate lease. The Company did not make any such adjustments during the period presented.

ROU assets comprise the initial measurement of the corresponding lease liability and are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the asset. Depreciation starts on commencement date of the lease.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient and has separated out the non-lease components for its leases. These non-lease components, typically servicing and maintenance costs, have been recognised as an expense on a straight-line basis and disclosed in administrative expenses in the profit and loss account.

The Company's incremental borrowing rates applied to lease liabilities in 2020 is 2.75%.

ROU assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

Movements in lease liabilities and ROU assets in 2020 are set out in note 15 and note 10 respectively.

Revenue recognition

The Company is engaged in the design, manufacturing and distribution of packaging materials to customers. Revenue is not recognised if there is significant uncertainty regarding the recovery of the revenue consideration. Revenue represents amounts receivable for goods provided to third parties in the normal course of business, net of discounts, customer rebates, VAT and other sales related taxes.

IFRS 15 '*Revenue from Contracts with Customers*' requires the Company to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied. The Company has reviewed its arrangements with customers and concluded that the Company's revenue is generated from the delivery of packaging materials to customers and this represents a single performance obligation. The Company does not enter into any repurchase agreements. It is therefore appropriate to recognise revenue at the point of transfer of goods to the customer, consistent with the revenue recognition framework in IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets categorised as investments, comprise investments in debt and equity securities and are initially recognised at fair value with any subsequent gains or losses recognised in the profit and loss account.

Other financial assets comprise trade and other debtors that have fixed or determinable recoveries and are classified as trade, intercompany and other debtors. The classification takes account of the nature and purpose of the financial assets and is determined on initial recognition. These are measured at amortised cost less impairment under the expected credit loss model.

Indicators are assessed for the impairment of financial assets at each balance sheet date. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted. For trade debtors the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors where the carrying amount is measured on an expected credit loss model at inception rather than an incurred loss model. When a trade debtor is uncollectible, it is written off against the provision made on inception or at a previous reporting period end. Subsequent recoveries of amounts previously written off are credited against the provision in accordance with IFRS 9. Changes in the carrying value of the provision are recognised in the profit and loss account.

Cash at bank and in hand comprise cash on hand and on demand deposits, readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Financial liabilities comprise solely other financial liabilities under the terms of IFRS 7. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost, with interest expense measured on an effective yield basis.

Equity instruments are any contracts evidencing a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments were not used in the current or preceding financial year.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are recorded in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the profit and loss account as it excludes items of income or expense that are taxable or deductible in other years and also excludes items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances represent the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are not discounted.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recorded in the statement of other comprehensive income.

Retirement benefit costs

The Company is a participating employer in the Group's defined contribution pension plans, which are available to all staff. A defined contribution scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services after deduction of trade discounts and value added tax. Revenue is recognised at a point in time when the product is delivered to customers. Turnover and profit before taxation are both attributable to the distribution of packaging products. The geographical analysis of turnover is set out below:-

| | 13 months ended 30 April | |
|----------------|--------------------------------|--------------|
| | 2020 | 2019 |
| | £000 | £000 |
| United Kingdom | 6,325 | 6,882 |
| Europe | 34 | 28 |
| | <u>6,359</u> | <u>6,910</u> |

NOTES TO THE FINANCIAL STATEMENTS

30 April 2020

3. OPERATING PROFIT

| | 13 months ended 30 April | |
|---|-----------------------------|----------|
| | 2020 | 2019 |
| | £000 | £000 |
| Operating profit is arrived at after charging/(crediting): | | |
| Depreciation of tangible assets | 31 | 37 |
| Depreciation of Right of Use assets | 264 | - |
| Gain on disposal of assets | (3) | - |
| Auditor's remuneration | | |
| For audit services | 8 | - |
| For non-audit services | 1 | - |
| | <u>11</u> | <u>-</u> |

4. NET INTEREST PAYABLE

| | 13 months ended 30 April | |
|-------------------------------|-----------------------------|----------|
| | 2020 | 2019 |
| | £000 | £000 |
| Interest on lease obligations | 11 | - |
| | <u>11</u> | <u>-</u> |

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Total emoluments of all directors are as follows:

| | | |
|---|-----------|------------|
| Salary and benefits in kind | 88 | 109 |
| Defined contribution pension scheme contributions | 6 | 13 |
| | <u>94</u> | <u>122</u> |

Aggregate emoluments

Staff costs during the year (including directors' costs)

| | | |
|-----------------------|------------|------------|
| Wages and salaries | 706 | 773 |
| Social security costs | 58 | 74 |
| Pension costs | 24 | 28 |
| | <u>788</u> | <u>875</u> |

Recharged by Macfarlane Group UK Limited

Retirement benefits accrue to three directors (2019: two) under the parent company's pension schemes. These directors are remunerated by Macfarlane Group PLC, the ultimate parent company. They are not remunerated for their services as directors of Ecopac (U.K.) Limited and therefore there is no directors' remuneration included in the costs set out above.

On 1 May 2019, all employees of Ecopac (U.K.) Limited, transferred into the employment of Macfarlane Group UK Limited. All employee costs are now borne by that Company and costs incurred for employees recharged to each of the companies as set out above.

| | 2020 | 2019 |
|---|-----------|-----------|
| | No. | No. |
| Average number of persons employed | | |
| Sales and distribution | 15 | 16 |
| Administration | 5 | 7 |
| | <u>20</u> | <u>23</u> |

NOTES TO THE FINANCIAL STATEMENTS
30 April 2020

6. TAX ON PROFIT

| | 13 months ended | |
|---|------------------------|-------------|
| | 30 April | |
| | 2020 | 2019 |
| | £000 | £000 |
| United Kingdom corporation tax : | | |
| Current tax | 113 | 90 |
| Adjustments in respect of prior years | - | - |
| Total current tax | 113 | 90 |
| Total deferred tax | (6) | - |
| Tax on profit | 107 | 90 |

The average rate of current tax for the year, based on the UK standard rate of corporation tax, is 19% (2019: 19%). The actual tax charge for the current and prior years varies from 19% (2019: 19%) for the reasons set out in the following reconciliation:

| | 13 months ended | |
|---|------------------------|-------------|
| | 30 April | |
| | 2020 | 2019 |
| | £000 | £000 |
| Profit before tax | 569 | 443 |
| Tax charge on profit before tax at an average rate of 19% | 108 | 84 |
| Factors affecting charge: | | |
| Expenses not deductible for tax purposes | - | 4 |
| Other timing differences | (1) | 2 |
| Total tax charge for the year | 107 | 90 |

7. DIVIDENDS PAID

| | 13 months ended | |
|--|------------------------|-------------|
| | 30 April | |
| | 2020 | 2019 |
| | £000 | £000 |
| Amounts recognised as distributions to equity holders in the year | | |
| Interim dividend of £2,302.63 per share | | |
| (2019 – interim dividend of £6,184.21 per share) | 175 | 470 |

ECOPAC (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 April 2020**

9. TANGIBLE ASSETS

| | Plant, machinery, vehicles & fittings £000 | Total £000 |
|---------------------------------|--|---------------|
| Cost | | |
| At 1 May 2020 | 425 | 425 |
| Additions | 15 | 15 |
| Disposals | (12) | (12) |
| | <hr/> | <hr/> |
| At 30 April 2020 | 428 | 428 |
| | <hr/> | <hr/> |
| Accumulated depreciation | | |
| At 1 May 2020 | 301 | 301 |
| Charge for the year | 31 | 31 |
| Disposals | (7) | (7) |
| | <hr/> | <hr/> |
| At 30 April 2020 | 325 | 325 |
| | <hr/> | <hr/> |
| Net book value | | |
| At 30 April 2020 | 103 | 103 |
| | <hr/> | <hr/> |
| At 30 April 2019 | 124 | 124 |
| | <hr/> | <hr/> |

10. RIGHT OF USE ASSETS

| | Property £000 | Total £000 |
|---------------------------------|------------------|---------------|
| Cost | | |
| On adoption of IFRS 16 | 561 | 561 |
| | <hr/> | <hr/> |
| At 30 April 2020 | 561 | 561 |
| | <hr/> | <hr/> |
| Accumulated depreciation | | |
| Charge for the year | 264 | 264 |
| | <hr/> | <hr/> |
| At 30 April 2020 | 264 | 264 |
| | <hr/> | <hr/> |
| Net book value | | |
| At 30 April 2020 | 297 | 297 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS
30 April 2020

| 11. STOCKS | 2020 | 2019 |
|---|--------------|--------------|
| | £000 | £000 |
| Finished goods and goods for resale | <u>396</u> | <u>395</u> |
| Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales | <u>4,325</u> | <u>4,843</u> |

| 12. DEBTORS | 2020 | 2019 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Due within one year | | |
| Trade debtors | 883 | 1,139 |
| Amounts owed by group undertakings | 100 | - |
| Prepayments and accrued income | <u>49</u> | <u>69</u> |
| | <u>1,032</u> | <u>1,208</u> |

Trade debtors represent amounts owed by customers in respect of the revenue for goods or services provided to customers prior to the year end. The Company's credit risk is primarily attributable to its trade debtors. No interest is charged on overdue debtors.

The Company writes off trade debtors when there is no realistic prospect of recovery of the receivable. The amount is written off against the loss allowance held. The credit risk profile of these debtors is presented based on their past due status and the calculated loss ratios applied to the profiled debtors to give the ECL. There was no ECL at either 30 April 2020 or 30 April 2019.

| 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2020 | 2019 |
|---|--------------|--------------|
| | £000 | £000 |
| Amounts due under leases (note 15) | 278 | |
| Trade creditors | 519 | 770 |
| Other taxation and social security | 78 | 108 |
| Corporation tax | 113 | 90 |
| Accruals and deferred income | <u>108</u> | <u>96</u> |
| | <u>1,096</u> | <u>1,064</u> |

Amounts owed to group undertakings are payable on the Company's standard commercial terms.

| 14. DEFERRED TAX | 2020 | 2019 |
|---|-------------|-------------|
| | £000 | £000 |
| Deferred tax asset on pension scheme deficit | | |
| At 1 January | 22 | 22 |
| Tax charge through profit and loss account (note 6) | <u>(6)</u> | <u>-</u> |
| At 31 December | <u>16</u> | <u>22</u> |

Deferred tax liabilities at 30 April 2020 have been calculated based a long-term corporation tax rate of 19%.

NOTES TO THE FINANCIAL STATEMENTS
30 April 2020

15. AMOUNTS DUE UNDER LEASES

| | 2020 £000 |
|--------------------------------------|-----------------|
| Movement in leases | |
| On adoption of IFRS 16 on 1 May 2019 | 549 |
| Repayments under leases | (271) |
| | <hr/> 278 <hr/> |
| At 31 December | <hr/> 278 <hr/> |

16. CALLED UP SHARE CAPITAL

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Called up, allotted and fully paid | | |
| 76 (2019: 76) ordinary shares of £1 each | 76 | 76 |
| | <hr/> 76 <hr/> | <hr/> 76 <hr/> |

The Company has one class of ordinary shares, which carry equal rights in relation to voting, entitlement to dividends and entitlement on any winding up of the Company.

17. RESERVES

| | 2020 £000 | 2019 £000 |
|----------------------------|-------------------|-----------------|
| At start of period | 849 | 966 |
| Profit for the year/period | 462 | 353 |
| Dividends paid | (175) | (470) |
| | <hr/> 1,136 <hr/> | <hr/> 849 <hr/> |
| At end of period | <hr/> 1,136 <hr/> | <hr/> 849 <hr/> |

18. RELATED PARTY TRANSACTIONS AND RELATED UNDERTAKINGS

The Company has related party relationships with

- (i) its ultimate parent company, Macfarlane Group PLC;
- (ii) its immediate parent company Carnweather and other fellow subsidiary companies, and
- (iii) its Directors.

The Company's related undertakings are the ultimate parent company, disclosed in note 19 and its immediate parent company and fellow subsidiary undertakings.

Directors' remuneration is set out in note 5. P.D. Atkinson, J. Love are also directors of the parent company and their remuneration is disclosed in the accounts of Macfarlane Group PLC. I. Gray is a director of Macfarlane Group UK Limited and his remuneration is disclosed in the results of that company.

The Directors have considered the implications of IAS24 "Related Party Disclosures" and are satisfied that there are no other related party transactions occurring during the year, which require disclosure other than those already disclosed in these financial statements.

19. ULTIMATE PARENT COMPANY

The ultimate parent company is Macfarlane Group PLC, a company registered in Scotland. Macfarlane Group PLC is the parent undertaking of the smallest and largest group, which includes the Company and for which group financial statements are prepared. Group financial statements may be obtained from Macfarlane Group PLC's registered office at 3 Park Gardens, Glasgow G3 7YE.