

Registered number: 03373762

CEPAC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

THURSDAY



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CEPAC LIMITED

COMPANY INFORMATION

Directors	R C Ainslie J A R Cook S Hollingsworth H E B El Kasar (resigned 13 July 2021) N D Marsden D A S Anam M D A Saeed S J Moss M N Costa
Company secretary	Grays Inn Secretaries Limited
Registered number	03373762
Registered office	Prince Albert House 2 Kingsmill Terrace London NW8 6BN
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor No 1 Whitehall Riverside Whitehall Road Leeds West Yorkshire LS1 4BN
Bankers	Lloyds Bank plc 14 Church Street Sheffield S1 1HP
Solicitors	Irwin Mitchell LLP Riverside East 2 Millsands Sheffield S3 8DT

CEPAC LIMITED

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CEPAC LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Business review

The long-term objective of the business is, and has always been, to grow shareholder value. We have just celebrated our 21st year in the UK corrugated market, in which Cepac has built an important strategic position. Our success has been achieved through profitable growth in existing business and by acquisition where appropriate and this will continue to be our strategy for the future. In pursuit of our objectives, the company offers, as an independent supplier into the UK and near European markets, an unrivalled range of superior print and performance packaging. The strategy is constantly reviewed by the Board in the light of the company's performance and changing market conditions to ensure that it remains appropriate to achieve the business objectives.

Events in 2020 were dominated by the Covid pandemic. Cepac were proud to support the UK's 'Ventilator Challenge' alongside maintaining supply to key industries including food & drink and the hygiene sector, right through the year. Our employees responded to the changing situation and allowed us to offer uninterrupted supply to our customer base. In business performance terms, the adverse impact of reduced volume from some sectors was limited to the second quarter and a strong recovery followed. This culminated in an exceptionally buoyant fourth quarter. Subsequently, suppression of profitability was also limited to the second quarter and the business quickly recovered to pre-pandemic performance levels in the second half of the year. Corrugated demand continues to strengthen whilst paper prices began to rise towards the end of the year and into 2021. Selling prices have risen to recover this additional cost. Cepac closed the year in a strong cash position with circa £15m at the balance sheet date.

	£000's 2020	2019
Revenue	92,913	103,790
Gross Profit	37,273	39,632
Profit for the year	6,714	8,617

A major investment in digital printing was made at the Darlington site, further enhancing capacity and print capability. Investments in sustainability and energy reduction projects have also been made. Cepac has developed a strong reputation for pioneering innovation and several exciting future initiatives are planned with direct benefits for our customers.

Principal risks and uncertainties***Economic and market risk***

The cyclical nature of the paper industry provides challenges and risks that have to be managed, as clearly illustrated by the material cost increases in 2017 and 2018 then followed by reductions in 2019, then increases again towards the end of 2020. Market risk is associated with both competitor activity and the paper cycle. Economically, the major risk will be how market demand, changes in the supply chain, environmental considerations and especially consumer spending across all sections of the economy influence demand for corrugated packaging.

The UK finally left the European Union on January 31st 2020. Our model for a smooth transition was well-planned and executed and we saw no disruption to supplies or deliveries. Whilst it might have been expected that some European material suppliers would reduce supply into the UK, we have continued to enjoy full support from our suppliers. With the support of these suppliers, we were able to build material stock to support the Brexit transition.

CEPAC LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Events in 2020 have highlighted new and somewhat unexpected business risks. The Cepac team has reacted rapidly and decisively to ensure continuity of manufacture whilst protecting the safety of all our employees. This decisive action has minimised the financial impact of the coronavirus pandemic through ensuring uninterrupted supply to our customers. We would like to thank all our employees, customers, suppliers and other stakeholders for their support through 2020.

Operational continuity risk

The company works actively to continuously reduce the risk of events happening that could disrupt operations. There are insurance policies to mitigate financial risk and business continuity plans in place to safeguard customer service. Operational contingency from site to site continues to be reviewed and developed further where appropriate. Further investment is planned to both grow the businesses and to continue to develop and enhance the operational contingency.

Financial risk management objectives and policies

The company uses various financial instruments: these include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. No transactions in derivatives take place and the main risks arising from these financial instruments are credit risk, interest rate risk, liquidity risk and currency risk.

Credit risk:

The company's principal financial assets are its trade debtors and it uses invoice discounting facilities with external credit insurance. Assessment and monitoring of existing and potential customers is undertaken in conjunction with underwriters.

Interest rate risk:

The company finances its operations through bank borrowings, which are all £STG denominated and therefore subject to UK interest rate movement. Funding is at fixed margin levels relative to base rate or LIBOR, depending on the type of facility. The Board keeps under review the potential for interest rate movement and its possible impact on debt servicing costs.

Liquidity risk:

The company has facilities in place linked to invoice discounting that allow for draw-downs of monies to operate the businesses and provide predictability of cash flow. Financing for major items of capital expenditure is being used to provide further balances and options in the company's funding going forward. Our facilities leave ample funding headroom and there are significant approved plans for investment in carefully selected capital expenditure projects in 2021 that will support and drive future development of the business. The directors are committed to our objective of maintaining a strong balance sheet.

Currency risk:

Most paper purchases are denominated in £STG although a slightly higher percentage is now Euro denominated following the acquisitions of new businesses in recent years. This is effectively purchased at spot rates and will be closely monitored to ensure effectiveness and predictability. Other supplies bought, where necessary, in foreign currency are also paid at spot rate, the proportion and risk not being sufficiently material to require derivatives to manage the risk.

CEPAC LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' statement of compliance with duty to promote the success of the company (section 172 statement)

The board of directors of Cepac Limited actively considers, individually and collectively, that they have acted in good faith and in a manner that would be most likely to promote the success of the company for the benefit of its members as a whole, in the decisions taken for the year ended 31 December 2020.

The director of a company must act in accordance with a set of general duties and considerations which are detailed in s.172 of the UK Companies Act 2006 which is summarised below:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and environment
- The desire of the company to maintain a reputation for high standards of business conduct
- The need to act fairly between all members of the company

The four key values Cepac Limited has always adhered to, and will continue to, are listed below. These are vital to our daily operations and always form the basis of any decisions made by the directors.

Collaboration

Collaboration with our customers, suppliers and all our stakeholders is at the heart of everything we do. It allows us to find the best solutions in the fastest possible time. Collaboration means that we develop close relationships with our customers, putting their interests first. Together we achieve more.

Professionalism

We will always do the right thing by our employees and the communities in which we work, meeting our customers' demands without limiting future generations' ability to do so. Our integrity is a key attribute and is why people trust what we do.

An ethical, sustainable and responsible approach

Our people are key to our success. Our success rests upon all our employees striving to exceed our customers' demands. We're committed to giving our people the opportunity to be the best they can be. We recognise our responsibilities extend beyond the products we supply and we monitor and control our supply chain, holding our suppliers to the same high standards for ethics and sustainability.

Innovation

Since establishing our business in 1999, we have always adopted an entrepreneurial approach, with Performance Packaging and Print at its core. Our pioneering approach continues to drive our business, seeking innovative, commercial solutions for our customers.

The following paragraphs summarise how the directors of Cepac Limited fulfil their duties.

Employees

The company invests in the future of its employees, actively encouraging career progression to maximise the talent of our employees. To support this culture, we offer a diverse range of learning and development opportunities alongside actively recruiting talent from the local areas.

Health and Safety

The company prides itself on maintaining industry-leading safety and occupational risk prevention. We continue to advance our knowledge and capabilities in this area combined with supporting the wellbeing of employees both physically and mentally.

Community and Environment

The company's approach is to create positive change: we believe in being proactive on environmental issues to reduce our impact on the planet. Sourcing materials from sustainable partners and constantly innovating our products and processes helps ensure our environmental impact is minimised and sustainability is maximised.

CEPAC LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Risk Management

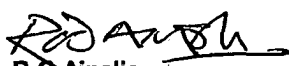
The risk-averse nature of the directors underpins all the decisions made to safeguard the prosperity of the company and assets. Our diverse client base provides a protection against economic pressures, which allows us to minimise the uncertainty and ensure we consistently deliver value for all our stakeholders. We actively identify, evaluate and manage risk at all levels within the company.

Financial key performance indicators

The company uses a number of financial measures to monitor progress against budgets, strategies and corporate objectives, with the main ones being revenue and gross profit (see business review section above).

No material price reductions were seen in the year and were subsequently reflected in stable selling prices. The net effect was a maintenance of margins. Competitive activity continued to influence selling and pricing decisions. In addition to financial measures, the Board also monitors and proactively reviews health, safety and environmental issues in all its operating units. This is and will remain a key management priority and the objective of all involved in the businesses is to continually improve the working environment to avoid or minimise any threats to the safety and wellbeing of our employees and the environment.

This report was approved by the board on 24/08/2021 and signed on its behalf.


R C Ainslie
Director

CEPAC LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

The company's principal activity is the design and production of corrugated packaging.

Information regarding the review of the business, principal risks and uncertainties and analysis relating to key performance indicators are found in the Strategic Report.

Results and dividends

The profit for the year, after taxation, amounted to £6,713,792 (2019: £8,617,027).

A dividend of £1,292,553 was paid in the year (2019: £435,133).

Directors

The directors who served during the year were:

R C Ainslie
J A R Cook
S Hollingsworth
H E B El Kasar (resigned 13 July 2021)
N D Marsden
D A S Anam
M D A Saeed
S J Moss
M N Costa

Directors' responsibilities statement

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 the directors 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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 accounting 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;
- 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.

CEPAC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Strategic report on pages 1 to 7. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic report. The directors believe that with continued growth in profitability, increased capital investment and the market opportunities available, the company is in a position to continue its growth objectives. The strength of the Statement of financial position and the backing of the shareholders mean that the company is well positioned to move forward as a going concern.

The directors have considered the future impact of COVID-19 and Brexit when preparing their Going Concern assessment. The company's decisive actions in 2020 minimised the potential financial impact from these macroeconomic uncertainties.

In concluding on the question of Going Concern the directors have concluded that the company, which ensured uninterrupted supply to customers throughout 2020 and is now enjoying an uplift in the corrugated market driven by e-commerce, is sufficiently prepared due to its strong balance sheet, funding position, trading results for 2021 to date and future order book.

The directors therefore believe that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Engagement with employees

The company keeps its employees informed on matters affecting them as employees and on the performance of the company through periodic meetings. Other information is distributed through publications such as the Annual Accounts, the Staff Handbook and the company Intranet.

Disabled employees

It is the company's policy that full consideration is given to applications for employment by disabled persons, having regard to the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, continuity of employment and appropriate training is arranged where practicable. As far as possible, disabled employees are treated equally with other employees as regards training, career development and promotion.

Qualifying third party indemnity provisions

All directors benefited from qualifying third party indemnity insurance policies in place during the financial year.

CEPAC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Greenhouse gas emissions, energy consumption and energy efficiency action

Cepac operates from four manufacturing sites across the UK, and the primary use of energy is within our corrugating and conversion process which requires high volumes of heat and power respectively. We are striving to minimise our impact on the planet, and this will play a key part of our sustainable strategy going forward.

The company's greenhouse gas emissions and energy consumption for the year are as follows:

	FY2020
Energy consumption used to calculate emissions (kWh)	40,478,032
Energy consumption breakdown (kWh)	
- Electricity	13,527,870
- Gas	18,195,474
- LPG	7,839,310
- Transport fuel	915,378
Emissions from combustion of Gas (Scope 1)/ tCO ₂ e	5,026.98
Emissions from combustion of fuel for transport purposes (Scope 1)/ tCO ₂ e	0
Emissions from purchased electricity (Scope 2)/ tCO ₂ e	3,153.89
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (Scope 3)/ tCO ₂ e	215.31
Total gross CO ₂ e based on the above	8,396.18
Intensity ratio: tCO ₂ e (gross)/ £ million turnover	89.32

Quantification & Reporting Methodology

The calculations in this report use the GHG Protocol methodology. In accordance with 2020 Government greenhouse gas conversion factors for company reporting - Methodology Paper for Conversion factors, the emissions factor for Grid Electricity scope 2 emissions resulting from 'electricity generated' was used to calculate emissions associated with electricity consumption. Cepac has opted to use tonnes CO₂e/£ million turnover as the Intensity Ratio for SECR reporting.

Energy Efficient actions taken in 2020

- LED lighting upgrades
- Replaced a gas forklift truck with a battery-operated alternative
- Reconfigured LPG heaters to reduce operating temperature and online usage
- Replaced roller shutter doors with rapid action doors to prevent heat loss
- Additional insulation and replaced production roof with insulated cladding

Preparation of the report

This report has been prepared for the company by an independent, external energy consultant.

CEPAC LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditor

The directors confirm that:

- so far as each director aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



R C Ainslie

Director

Date: 24/08/2021



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEPAC LIMITED

Opinion

We have audited the financial statements of Cepac Limited (the 'company') for the year, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEPAC LIMITED (CONTINUED)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEPAC LIMITED (CONTINUED)

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.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' responsibilities statement, 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEPAC LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identified areas of laws and regulations, where the consequence of non-compliance could reasonably be expected to have a material effect on the financial statements, from our general commercial and sector experience and through discussions with the company's management. We corroborated the results of our enquiries with those charged with governance and to supporting documentation such as board minute reviews and our legal and professional expenses review.
- We determined that the laws and regulations most directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', the Companies Act 2006) and relevant tax legislation in the UK.
- In addition, we concluded that there are certain significant laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material impact if non-compliance were to occur; health and safety regulations, employment law and anti-bribery legislation.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by making enquiries of management and those charged with governance, and updating our understanding of the company's operations, financial reporting obligations and control environment, including around compliance with laws and regulations. We considered the risk of fraud to be higher through the potential for management override of controls.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEPAC LIMITED (CONTINUED)

- Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud, particularly around journal processing;
 - Journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business;
 - Challenging assumptions and judgements made by management relating to its areas of significant estimation and judgement;
 - Reviewing legal and professional expenditure in the year to assess for any indicators of non-compliance with relevant laws and regulations;
 - Identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - knowledge of the industry in which the company operates and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - understanding of the legal and regulatory requirements specific to the company.

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of companies of a similar size and complexity, appropriate to their role within the team.

- We did not identify any material matters relating to non-compliance with laws and regulation or relating to fraud.

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.



Richard Woodward BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: 24/08/2021

CEPAC LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	92,913,170	103,789,779
Cost of sales		(55,639,677)	(64,157,455)
Gross profit		37,273,493	39,632,324
Distribution costs		(4,480,746)	(4,855,052)
Administrative expenses		(24,719,157)	(23,835,120)
Other operating income		564,995	-
Operating profit	6	8,638,585	10,942,152
Interest receivable	10	39,282	6,546
Interest payable	11	(198,172)	(262,873)
Profit on ordinary activities before tax		8,479,695	10,685,825
Tax on profit on ordinary activities	12	(1,765,903)	(2,068,798)
Profit for the financial year		6,713,792	8,617,027

There was no other comprehensive income for 2020 (2019: £Nil).

The notes on pages 20 to 37 form part of these financial statements.

CEPAC LIMITED
REGISTERED NUMBER:03373762

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	14	3,148,208	4,423,315
Tangible assets	15	24,351,571	22,176,357
		<u>27,499,779</u>	<u>26,599,672</u>
Current assets			
Stocks	16	5,780,113	5,699,501
Debtors: amounts falling due within one year	17	20,548,913	22,003,184
Cash at bank and in hand	18	15,925,120	7,270,269
		<u>42,254,146</u>	<u>34,972,954</u>
Creditors: amounts falling due within one year	19	(13,632,800)	(11,552,129)
Net current assets		<u>28,621,346</u>	<u>23,420,825</u>
Total assets less current liabilities		<u>56,121,125</u>	<u>50,020,497</u>
Creditors: amounts falling due after more than one year	20	(3,913,048)	(3,449,659)
Provisions for liabilities			
Deferred tax	23	(941,000)	(725,000)
		<u>(941,000)</u>	<u>(725,000)</u>
Net assets		<u>51,267,077</u>	<u>45,845,838</u>
Capital and reserves			
Called up share capital	25	10,000,000	10,000,000
Profit and loss account	24	41,267,077	35,845,838
Shareholders' funds		<u>51,267,077</u>	<u>45,845,838</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

24/08/2021


R. C. Ainslie
 Director

The notes on pages 20 to 37 form part of these financial statements.

CEPAC LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	10,000,000	35,845,838	45,845,838
Comprehensive income for the year			
Profit for the year	-	6,713,792	6,713,792
Total comprehensive income for the year	-	6,713,792	6,713,792
Dividends: Equity capital	-	(1,292,553)	(1,292,553)
At 31 December 2020	10,000,000	41,267,077	51,267,077

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	10,000,000	27,663,944	37,663,944
Comprehensive income for the year			
Profit for the year	-	8,617,027	8,617,027
Total comprehensive income for the year	-	8,617,027	8,617,027
Dividends: Equity capital	-	(435,133)	(435,133)
At 31 December 2019	10,000,000	35,845,838	45,845,838

The notes on pages 20 to 37 form part of these financial statements.

CEPAC LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	6,713,792	8,617,027
Adjustments for:		
Amortisation of intangible assets	1,376,657	1,291,245
Depreciation of tangible assets	2,712,034	2,310,510
(Profit)/ loss on disposal of tangible assets	(298,885)	(21,770)
Government grants	(564,995)	-
Interest paid	198,172	262,873
Interest received	(39,282)	(6,546)
Taxation charge	1,765,903	2,068,798
(Increase)/decrease in stocks	(80,612)	493,317
Decrease in debtors	100,625	3,231,647
Increase/(decrease) in creditors	2,283,045	(1,101,975)
Corporation tax (paid)	(1,990,951)	(1,385,950)
Research and development tax income	(250,000)	-
Net cash generated from operating activities	11,925,503	15,759,176
Cash flows from investing activities		
Purchase of intangible fixed assets	(42,881)	-
Purchase of tangible fixed assets	(1,527,713)	(4,369,946)
Sale of tangible fixed assets	335,055	49,916
Government grants received	564,995	-
Interest received	39,282	6,546
Net cash from investing activities	(631,262)	(4,313,484)
Cash flows from financing activities		
New secured loans	-	1,000,000
Repayment of loans	(510,302)	(458,653)
Repayment of/new finance leases	(2,039,682)	(1,316,759)
Movements on invoice discounting	1,401,319	(4,523,965)
Dividends paid	(1,292,553)	(435,133)
Interest paid	(198,172)	(262,873)
Net cash used in financing activities	(2,639,390)	(5,997,383)
Net increase in cash and cash equivalents	8,654,851	5,448,309

CEPAC LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash and cash equivalents at beginning of year	7,270,269	1,821,960
Cash and cash equivalents at the end of year	<u>15,925,120</u>	<u>7,270,269</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>15,925,120</u>	<u>7,270,269</u>

The notes on pages 20 to 37 form part of these financial statements.

CEPAC LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	New finance leases £	Other non- cash changes £	At 31 December 2020 £
Cash at bank and in hand	7,270,269	8,654,851	-	-	15,925,120
Debt due after 1 year	(2,959,946)	-	-	516,377	(2,443,569)
Debt due within 1 year	1,367,136	(891,017)	-	(516,377)	(40,258)
Finance leases	(1,659,232)	2,039,682	(3,454,374)	-	(3,073,924)
	<u>4,018,227</u>	<u>9,803,516</u>	<u>(3,454,374)</u>	<u>-</u>	<u>10,367,369</u>

The notes on pages 20 to 37 form part of these financial statements.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Company information

Cepac Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Prince Albert House, 2 Kingsmill Terrace, London, NW8 6BN.

The company's principal activity is the design and production of corrugated packaging.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Strategic report on pages 1 to 7. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic report. The directors believe that with continued growth in profitability, increased capital investment and the market opportunities available, the company is in a position to continue its growth objectives. The strength of the Statement of financial position and the backing of the shareholders mean that the company is well positioned to move forward as a going concern.

The directors have considered the future impact of COVID-19 and Brexit when preparing their Going Concern assessment. The company's decisive actions in 2020 minimised the potential financial impact from these macroeconomic uncertainties.

In concluding on the question of Going Concern the directors have concluded that the company, which ensured uninterrupted supply to customers throughout 2020 and is now enjoying an uplift in the corrugated market driven by e-commerce, is sufficiently prepared due to its strong balance sheet, funding position, trading results for 2021 to date and future order book.

The directors therefore believe that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is possible that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible fixed assets**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the over its useful economic life.

Software costs

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.5 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	-	2.5% straight line
Plant & machinery	-	5.0% to 25.0% straight line
Fixtures & fittings	-	10.0% to 25.0% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.8 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Pensions**Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.13 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.20 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include the carrying value of stocks and recoverability of debts. Although these estimates and associated assumptions are based on historical experience and management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

- The stock policy is to provide 50% on finished goods over 6 months old and 100% over 12 months. This approach is based on historical experience, ensuring stock valuation is accurate alongside active management of stock levels to ensure stock is rotated to minimise the provision.
- Impairment of debtors is assessed with a variety of factors such as credit reports, ageing profile and historical recoverability levels. Cepac has a comprehensive credit insurance policy which provides additional protection against bad debts.

4. Turnover

All turnover arose from the company's principal activity and within the United Kingdom. All turnover relates to the sale of goods.

5. Other operating income

	2020 £	2019 £
Furlough (Coronavirus Job Retention Scheme) income	564,995	-

6. Operating profit

The operating profit is stated after charging/ (crediting):

	2020 £	2019 £
Depreciation of owned tangible fixed assets	1,948,896	1,551,282
Depreciation of tangible fixed assets held under finance lease and hire purchase agreements	763,138	759,228
Amortisation of intangible assets, including goodwill	1,376,657	1,291,245
Other operating lease rentals	1,392,127	1,403,627
(Profit)/ loss on sale of tangible fixed assets	(298,885)	(21,770)

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual accounts	35,500	34,500
Fees payable to the company's auditor in respect of:		
Taxation compliance services	7,500	8,200
Accounting support services	1,550	1,500
Tax advisory services	2,250	5,000
	<u> </u>	<u> </u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	18,190,958	18,204,232
Social security costs	1,919,308	1,808,432
Cost of defined contribution pension scheme	1,160,908	1,026,368
	<u>21,271,174</u>	<u>21,039,032</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Sales	47	49
Production	343	387
Administration	129	106
	<u>519</u>	<u>542</u>

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	944,516	913,783
Company contributions to defined contribution pension schemes	53,255	51,690
	<u>997,771</u>	<u>965,473</u>

During the year retirement benefits were accruing to 4 directors (2019: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £393,999 (2019: £446,470).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,592 (2019: £16,267).

10. Interest receivable

	2020 £	2019 £
Bank interest receivable	<u>39,282</u>	<u>6,546</u>

11. Interest payable

	2020 £	2019 £
Bank interest payable	184,726	225,879
Invoice discounting interest	13,446	36,994
	<u>198,172</u>	<u>262,873</u>

CEPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	1,503,619	1,890,719
Adjustments in respect of previous periods	46,284	(921)
Total current tax	1,549,903	1,889,798
Deferred tax		
Origination and reversal of timing differences	213,000	179,000
Adjustments in respect of previous periods	3,000	-
Total deferred tax (note 23)	216,000	179,000
Taxation on profit on ordinary activities	1,765,903	2,068,798

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: *higher than*) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	8,479,695	10,685,825
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,611,142	2,030,307
Effects of:		
Expenses not deductible for tax purposes	19,457	61,388
Adjustments to tax charge in respect of prior periods	49,284	(921)
Rate differences	86,020	(21,976)
Total tax charge for the year	1,765,903	2,068,798

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Dividends

	2020 £	2019 £
Dividends - 4.35p per £1 ordinary share	<u>1,292,553</u>	<u>435,133</u>

14. Intangible fixed assets

	Software costs £	Goodwill £	Total £
Cost			
At 1 January 2020	1,770,282	11,964,282	13,734,564
Additions	42,881	-	42,881
Transfers	58,669	-	58,669
At 31 December 2020	<u>1,871,832</u>	<u>11,964,282</u>	<u>13,836,114</u>
Amortisation			
At 1 January 2020	1,165,536	8,145,713	9,311,249
Charge for the year	183,557	1,193,100	1,376,657
At 31 December 2020	<u>1,349,093</u>	<u>9,338,813</u>	<u>10,687,906</u>
Net book value			
At 31 December 2020	<u>522,739</u>	<u>2,625,469</u>	<u>3,148,208</u>
At 31 December 2019	<u>604,746</u>	<u>3,818,569</u>	<u>4,423,315</u>

Amortisation on intangible assets is charged to administration expenses.

CEPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Tangible fixed assets

	Freehold property £	Plant & machinery £	Fixtures & fittings £	Other fixed assets £	Total £
Cost					
At 1 January 2020	7,673,876	42,196,919	2,504,287	3,969,832	56,344,914
Additions	-	-	-	4,982,087	4,982,087
Disposals	-	(330,890)	-	(4,271)	(335,161)
Transfer between classes	89,375	4,438,971	552,483	(5,139,528)	(58,699)
At 31 December 2020	7,763,251	46,305,000	3,056,770	3,808,120	60,933,141
Depreciation					
At 1 January 2020	339,814	32,084,653	1,744,090	-	34,168,557
Charge for the year	129,651	2,440,245	142,138	-	2,712,034
Disposals	-	(299,021)	-	-	(299,021)
At 31 December 2020	469,465	34,225,877	1,886,228	-	36,581,570
Net book value					
At 31 December 2020	7,293,786	12,079,123	1,170,542	3,808,120	24,351,571
At 31 December 2019	7,334,062	10,112,266	760,197	3,969,832	22,176,357

Freehold land of £2,580,000 (2019: £2,580,000) is not depreciated.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Plant and machinery	4,636,938	3,987,582

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Stocks

	2020 £	2019 £
Raw materials and consumables	4,514,409	4,318,926
Work in progress	233,098	319,476
Finished goods and goods for resale	1,032,606	1,061,099
	<u>5,780,113</u>	<u>5,699,501</u>

The carrying value of stocks are stated net of impairment losses totalling £2031000 (2019: £1,972,000). Impairment losses totalling £59,000 (2019: £11,000 (credit)) were recognised in profit and loss.

17. Debtors

	2020 £	2019 £
Trade debtors	19,259,122	19,297,932
Other debtors	70,720	34,321
Prepayments and accrued income	742,953	793,494
Amounts receivable under invoice discounting facility	476,118	1,877,437
	<u>20,548,913</u>	<u>22,003,184</u>

18. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>15,925,120</u>	<u>7,270,269</u>

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	516,376	510,301
Trade creditors	4,098,982	4,586,014
Corporation tax	-	643,375
Other taxation and social security	5,391,457	2,691,608
Obligations under finance lease and hire purchase contracts	1,604,445	1,169,519
Accruals and deferred income	2,021,540	1,951,312
	<u>13,632,800</u>	<u>11,552,129</u>

Bank overdrafts are secured by a fixed and floating charge over the company's assets. Bank loans are secured by first legal charges over the relevant properties.

Amounts due under the invoice discounting facility are secured on the company's trade debtors.

Obligations under finance leases and hire purchase contracts are secured on the related assets.

20. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	2,443,569	2,959,946
Net obligations under finance leases and hire purchase contracts	1,469,479	489,713
	<u>3,913,048</u>	<u>3,449,659</u>

Bank loans are secured by first legal charges over the relevant properties.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

21. Borrowings

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	516,376	510,301
Finance leases	1,604,445	1,169,519
	<u>2,120,821</u>	<u>1,679,820</u>
Amounts falling due 1-2 years		
Bank loans	522,387	510,301
Finance leases	1,271,587	426,003
	<u>1,793,974</u>	<u>936,304</u>
Amounts falling due 2-5 years		
Bank loans	1,921,182	2,449,645
Finance leases	197,892	63,710
	<u>6,033,869</u>	<u>5,129,479</u>

22. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at amortised cost	<u>35,780,068</u>	<u>28,479,959</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(12,346,053)</u>	<u>(11,666,805)</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts due to the company under invoice discounting facilities and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, bank overdrafts and loans, amounts due under invoice discounting facility, amounts due under finance leases and hire purchase contracts and accruals.

CEPAC LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

23. Deferred taxation

	2020 £	2019 £
At beginning of year	725,000	546,000
Charged to profit or loss (note 12)	216,000	179,000
At end of year	941,000	725,000

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Excess of taxation allowances over depreciation of fixed assets	995,000	755,000
Other timing differences	(54,000)	(30,000)
	941,000	725,000

24. Reserves**Profit & loss account**

Includes all current and prior period retained profits and losses.

25. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
10,000,000 (2019: 10,000,000) Ordinary shares of £1 each	10,000,000	10,000,000

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

26. Capital commitments

The company had capital commitments for plant and machinery of £326,577 (2019: £132,844).

CEPAC LIMITED

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27. Pension commitments

The company operates a defined contribution scheme for the benefit of all employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total cost of £1,160,908 (2019: £1,026,368) represents contributions payable to the scheme at the rate specified in the plan. As at 31 December 2020, contributions of £192,985 (2019: £157,099) due in respect of the current reporting period had not been paid into the scheme and are included in creditors.

28. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	<u>870,000</u>	<u>870,000</u>
	2020 £	2019 £
Not later than 1 year	478,117	429,133
Between 1 and 5 years	668,425	596,226
	<u>1,146,542</u>	<u>1,025,359</u>

29. Related party transactions

The company has chosen to take the exemption from the requirement to disclose transactions with other group companies on the basis that it is a wholly owned subsidiary and its results are consolidated into that of the parent company.

The directors represent key management personnel for the purposes of the FRS 102 related party requirements and their compensation is disclosed in note 8.

30. Controlling party

Capital House Investment Limited owns 100% of the share capital of Europa Holdings Limited, which in turn owns 100% of the share capital of Cepac Limited. Both Capital House Investment Limited and Europa Holdings Limited are incorporated in the Cayman Islands.