

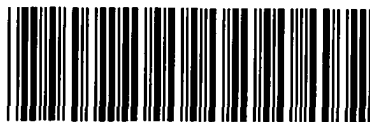
**AVERY DENNISON UK II LIMITED**

**Annual Report**

**Registration # 04683413**

**Financial Year Ended 31 December 2017**

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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors at 27 September 2018**

M Collins (Irish)  
P Newman (British)  
J Diderich (Dutch)  
E Alper (Dutch)

**Solicitors**

Eversheds  
Central Square South  
Orchard Street  
Newcastle Upon Tyne NE1 3XX  
United Kingdom

**Registered Office**

Hill House  
1 Little New Street  
London EC4A 3TR  
United Kingdom

**Bankers**

Citibank  
25 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Registered Number:** 04683413

Citibank  
Jumeirah 3  
Dubai  
United Arab Emirates

**Auditors**

PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
One Albert Quay  
Cork  
Republic of Ireland

## STRATEGIC REPORT

The directors present their strategic report for the financial year ended 31 December 2017.

### Review of the business

The company acts as an independent commissionaire for the labels, packaging and materials business. It is tasked with the selling and promotion of such products.

In July 2017 the company acquired 100% of the ordinary share capital of Mactac U.K. Limited. The business of Mactac U.K. Limited was subsequently transferred to the company.

### Results and performance

The results for the company, as set out on page 9 show a profit on ordinary activities before income tax of £300,000 compared to a profit of £584,000 in the prior year. The total shareholders' funds of the company total £19,512,000 as at year end (2016: £19,396,000). Funding for the company is provided by the company's ultimate parent undertaking, Avery Dennison Corporation, when deemed necessary.

### Key performance indicators

	2017	2016	Definition, method of calculation and analysis
Change in profit before income tax	(48.6%)	(9.2%)	Decrease in profitability is due to lower sales agency income.
Return on capital	1.5%	3.07%	Profit before tax income expressed as a percentage of net assets. The decrease is due to higher net assets and lower profitability.

### Business environment

The markets that the company operates in are highly fragmented and as a result require constant monitoring by management to ensure successful implementation of the company's strategy.

### Strategy

The strategy of the company is to focus solely on acting as an independent commissionaire for the labels, packaging and material business. It will actively promote the sales of labels and packaging materials in the UK market.

### Future developments

The directors are aware of the current competitive environment and the challenges this brings to delivering upon revenues and profitability. The directors are also aware of the various trends within the labels business, in particular in the UK where private label products on offer from our competitors are becoming widely accepted and used across our customer base. As a result, the directors are investigating adjacent product offerings, such as labels for medical products and printable signage which can address customer needs and fulfil a more robust utilisation of current capacities at the group's manufacturing facilities in the UK. The company is also targeting sections of the market which it believes offers the most growth potential.

### Principal risks and uncertainties

The management of the company's business and the execution of the company's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them. The key business risks affecting the company are set out below:

#### Competition

The company operates in a highly competitive market particularly around price and product quality. This results not only in a downward pressure on our margins, but also more importantly an increase in the risk that we will not meet our customers' expectations. In order to mitigate this risk, our sales team monitor market prices on an ongoing basis. Furthermore, we undertake regular research with our customers to ensure that we are meeting their expectations.

#### Liquidity

The company's operations also expose it to financial risks that include the effects of changes in liquidity risk. The company is funded through the Avery Dennison group of companies. Its funding requirements are reviewed regularly by both the directors and the group treasury department to ensure the company has sufficient funds available for operations and planned expansions.

**STRATEGIC REPORT - continued**

**Principal risks and uncertainties - continued**

*Foreign exchange risk*

Foreign exchange risk is monitored and managed centrally by the Avery Dennison Group. All foreign exchange exposures of the entities in the group are identified, monitored and hedged to ensure that the exposure to movements in foreign exchange is mitigated.

*Interest rate risk*

On a group-wide basis, Avery Dennison monitors its interest rate exposure as appropriate by either changing how cash is managed or the use of derivatives as appropriate. In the entities within the group, other than the designated treasury entities, there is no external interest rate exposure but interest is levied on balances with or due from the other group members. The interest rate applicable is managed and reviewed centrally within the Avery Dennison Group.

**By order of the board**

M Collins  
Director

**STRATEGIC REPORT - continued**

**Principal risks and uncertainties - continued**

*Foreign exchange risk*

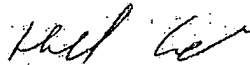
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By order of the board

M Collins  
Director



## **DIRECTORS' REPORT**

The directors present their directors' report and the audited financial statements for the financial year ended 31 December 2017.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

### **Results for the year**

The profit on ordinary activities before income tax amounted to £300,000 compared to a profit of £584,000 in the prior year. The total shareholders' funds of the company total £19,512,000 as at year end (2016: £19,396,000).

### **Dividends**

The directors do not recommend the payment of a dividend in 2017 (2016: £Nil).

### **Future developments**

The directors consider that the short-term outlook is challenging, but have taken measures to increase activity and maintain the company's profitability. Refer to "future developments" in the strategic reporting for further details.

### **Research and development**

The company does not engage in any research and development.

### **Directors and their interests**

The names of the persons who are currently and were directors at any time during the year ended 31 December 2017 are set out below. Unless otherwise stated, they served as directors for the entire year.

M Collins  
P Newman  
J Diderich  
E Alper

No director had any interests in the shares of the company or any group company within the United Kingdom at any time during the year or since the year end.

**DIRECTORS' REPORT - continued**

**Going concern**

The directors have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the directors made enquiries into the financial position and resources available to the company including a review of the budget for the next year. Therefore, the directors continue to adopt the going concern basis in preparing the financial statements.

**Political donations and political expenditure**

The company made no political donations or incurred any political expenditure in 2017 (2016: £Nil).

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- (a) so far as the director is aware there is no relevant audit information of which the company's auditor is unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the company since year end.

**Independent auditors**

The auditors, PricewaterhouseCoopers, Republic of Ireland, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at an upcoming board meeting.

**By order of the board**

M Collins  
Director

27 September 2018

**DIRECTORS' REPORT - continued**

**Going concern**

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**Post balance sheet events**

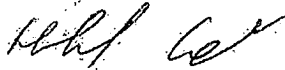
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**By order of the board**

M Collins  
Director





## ***Independent auditors' report to the members of Avery Dennison UK II Limited***

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

#### **Opinion**

In our opinion, Avery Dennison UK II Limited's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework," and applicable law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise the statement of financial position as at 31 December 2017; the statement of comprehensive income for the year then ended; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

#### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Companies Act 2006 require us to also report certain opinions and matters as described below.



### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

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

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

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### *Use of this report*

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

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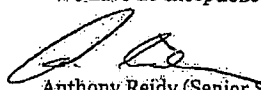
### **Other required reporting**

#### **Companies Act 2006 opinions on other matters**

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

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

We have no exceptions to report arising from this responsibility.

  
Anthony Reidy (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Auditors  
Cork  
28 September 2018

**STATEMENT OF COMPREHENSIVE INCOME**  
For the financial year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating income	4	519	774
Pension costs	15	(250)	(250)
<b>Operating profit</b>	7	<b>269</b>	<b>524</b>
Finance income	6	65	190
Finance costs	6	(34)	(130)
<b>Finance income – net</b>	6	<b>31</b>	<b>60</b>
<b>Profit before income tax</b>		<b>300</b>	<b>584</b>
Income tax expense	8	(184)	(159)
<b>Profit for the financial year</b>		<b>116</b>	<b>425</b>

All amounts included in the statement of comprehensive income derive from continuing operations.

The notes on pages 12 to 21 are an integral part of these financial statements.

**Avery Dennison UK II Limited**

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investment in subsidiary	9	-	-
<b>Current assets</b>			
Trade and other receivables	10	28,778	32,648
Cash and cash equivalents		-	139
		<u>28,778</u>	<u>32,787</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(9,115)</u>	<u>(13,391)</u>
<b>Net current assets</b>		<u>19,663</u>	<u>19,396</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(151)</u>	<u>-</u>
<b>Net assets</b>		<u>19,512</u>	<u>19,396</u>
<b>Equity</b>			
Ordinary shares	16	500	500
Capital contribution	17	10,042	10,042
Retained earnings	17	<u>8,970</u>	<u>8,854</u>
<b>Total shareholders' funds</b>		<u>19,512</u>	<u>19,396</u>

The notes on pages 12 to 21 are an integral part of these financial statements.

The financial statements on pages 9 to 21 were authorised for issue by the board of directors on 27 September 2018 and were signed on its behalf by:

\_\_\_\_\_  
M Collins  
Director  
Avery Dennison UK II Limited

Registered no.: 04683413


**Avery Dennison UK II Limited**

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

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M Collins  
 Director  
 Avery Dennison UK II Limited

Registered no: 04683413

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Avery Dennison UK II Limited

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**STATEMENT OF CHANGES IN EQUITY**  
For the financial year ended 31 December 2017

	Ordinary shares £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	500	10,042	8,429	18,971
Profit for the year	-	-	425	425
Balance at 31 December 2016	<u>500</u>	<u>10,042</u>	<u>8,854</u>	<u>19,396</u>
Balance at 1 January 2017	500	10,042	8,854	19,396
Profit for the year	-	-	116	116
Balance at 31 December 2017	<u>500</u>	<u>10,042</u>	<u>8,970</u>	<u>19,512</u>

The notes on pages 12 to 21 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Avery Dennison UK II Limited ("the company") acts as an independent commissionaire for the labels, packaging and materials business. It is tasked with the selling and promotion of such products.

The company is incorporated and domiciled in the United Kingdom and limited by shares. The immediate parent is Avery Dennison Office Products Manufacturing UK Limited, a company incorporated in the United Kingdom which owns 100% of the share capital. The ultimate parent undertaking is Avery Dennison Corporation, a company incorporated in the U.S.A.

The company's registered office is Hill House, One Little New Street, London EC4A 3TR, United Kingdom.

#### 1.1 Statement of compliance

The financial statements of Avery Dennison UK II Limited have been prepared on a going concern basis and in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 101, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 101") and the Companies Act 2006.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 101 in the presentation of these financial statements.

#### 2.1 Basis of preparation

The financial statements of Avery Dennison UK II Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

- (i) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1.
- (ii) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it classifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- (iii) IAS 7, 'Statement of cash flows'.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2. Summary of significant accounting policies – continued**

**2.1. Basis of preparation - continued**

- (iv) Paragraph 30 and 31 of IAS 8 'Accounting policies; changes in accounting estimates and errors' (requirement for the disclosure of information when an entry has not applied a new IFRS that has been issued but is not yet effective).
- (v) Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- (vi) The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- (vii) IFRS 7 - "Financial Instruments: Disclosures".
- (viii) Paragraphs 91 to 99 of IFRS 13, "Fair Value Measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

**2.1.1 Going concern**

The directors have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the directors made enquiries into the financial position and resources available to the company including a review of the budget for the next year. Therefore, the directors continue to adopt the going concern basis in preparing the financial statements.

**2.2 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income'.

**2.3 Investment in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses. Income from these assets is recognised on a receivable basis in the statement of comprehensive income.

**2.4 Trade and other receivables**

Trade and other receivables are amounts due from customers for services sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.5 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies – continued

#### 2.6 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.7 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.9 Employee benefits

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

##### (a) Pension obligations – defined contribution

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2 Summary of significant accounting policies – continued**

**2.9 Employee benefits - continued**

**(b) Pension obligations – defined benefit**

Typically defined benefit plans, define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined benefit pension plan on behalf of a group of UK Avery Dennison companies exists to which this company contributes. The structure of this plan is deemed to be a multi-employer plan. The company has concluded that the structure of the plan does not enable it to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis as a result of an increased weighting of the scheme towards deferred members combined with the cumulative effect of restructuring within the UK group over a number of years.

Because of the nature of the information available to the company it is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan. Accordingly it accounts for the plan as a defined contribution plan. The defined benefit plan is now closed to future entrants and future accrual with effect from 31 December 2011. From this date the defined contribution scheme was offered to members. This move covered all the UK Companies in the Avery Dennison Group. It is envisaged that the Scheme will carry on as a closed scheme.

There is a yearly contribution top up paid by the UK companies in order to meet the plan expenses and to eliminate the deficit on the UK pension fund. This will continue until 2019 if it is required. This is expensed in the income statement as it is paid.

The company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements.

**Short term employee benefits**

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

**2.10 Commissionaire fee**

The company entered into Commissionaire agreements, with effect from 22 February 2010, whereby the company earns Commissionaire income acting as a sales agent for a principal based in the Netherlands, Avery Dennison Materials Europe B.V. "Operating income" included in the profit and loss account is comprised of commissionaire profit calculated in accordance with the terms of this agreement.

**2.11 Interest income**

Interest income is recognised using the effective interest method.

**2.12 Dividend distribution**

Dividend distributions to the company shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

**2.13 Leases**

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessor) are charged to the income statement on a straight line basis for the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Except as noted in note 2.9, the company has not used any critical judgements in applying the accounting policies.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

*Recoverability of intercompany balances*

Management have made an assessment on the recoverability of the intercompany debtors by reviewing factors such as the financial position of the counterparty, post year payments received, historical experience, group policies on the settlement of such balances and the current and predicted future profitability of the relevant entities. Should the assumptions used in this assessment change significantly then this could impact on the future profitability and financial position of the entity.

4 Operating income

The company entered into a Commissionaire agreement, with effect from 22 February 2010, whereby the company earns Commissionaire income acting as a sales agent for a principal based in the Netherlands, Avery Dennison Materials Europe B.V. Consistent with the terms of this arrangement, Commissionaire profit of £519,000 (2016: £774,000) generated for the financial year has been recorded within 'Operating income'.

5 Employees and directors

**Employees:**

The average monthly number of persons (including executive directors) employed during the year was:

By activity:

	2017 No.	2016 No.
Selling	35	34
Administration	-	-
	<u>35</u>	<u>34</u>

**Employee costs (for the above persons):**

	2017 £'000	2016 £'000
Wages and salaries	1,522	1,529
Social security costs	163	194
Other pension costs		
- contributions paid to defined benefit pension fund (note 14)	250	250
- contributions paid to defined contribution pension scheme (note 14)	109	106
	<u>2,044</u>	<u>2,079</u>

**Directors:**

Directors' remuneration for certain directors has been borne by another group company. The directors are also directors or officers of a number of the companies within the Avery Dennison Group. Their directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2017 or 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS - continued

<b>6 Finance income and costs</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on loans owed by group undertakings:		
- repayable within one year	65	190
Interest payable on loans owed to group undertakings:		
- repayable within one year	(34)	(130)
Net finance income	<u>31</u>	<u>60</u>
<b>7 Operating profit</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging:		
Audit fees payable to the company's auditors	12	11
Foreign exchange (gain)/loss	(136)	248
Operating lease charges	<u>139</u>	<u>98</u>
<b>8 Income tax</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Tax expense included in profit or loss		
<b>Current tax:</b>		
United Kingdom corporation tax on profit for the year	271	-
Adjustment in respect of prior years	-	(34)
Total current tax charge/(credit)	<u>271</u>	<u>(34)</u>
<b>Deferred tax:</b>		
Adjustment in respect of prior years	-	-
Origination and reversal of timing differences	(87)	193
Total deferred tax (credit)/charge (note 12)	<u>(87)</u>	<u>193</u>
<b>Tax charge on profit on ordinary activities</b>	<b><u>184</u></b>	<b><u>159</u></b>
The tax assessed for the year is different from that calculated using the standard rate of corporation tax in the UK. The differences are set out below:		
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	<u>300</u>	<u>584</u>
Profit on ordinary activities multiplied by the average rate of UK corporation tax applicable in the financial year of 19.25% (2016: 20%)	57	117
Effects of:		
Expenses not deductible for tax purposes	214	12
Re-measurement of deferred tax due to change in UK tax rate	(87)	30
Tax charge	<u>184</u>	<u>159</u>

The main rate of corporation tax is 20% as of 1 April 2015 as enacted by the Finance Bill 2015. Additional changes to the UK corporation tax rates were substantively enacted on as part of Finance Bill 2016 on 15 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - continued

9 Investment in subsidiary	2017 £'000	2016 £'000
Shares in group undertaking:		
Acquisition of Mactac U.K. Limited	4,553	-
Dividends received	(4,231)	-
Impairment	(322)	-
	<u>200</u>	<u>-</u>

On 24 July 2017, the company purchased 100% of the ordinary share capital of Mactac U.K. Limited, a company incorporated in the United Kingdom whose principal activity was the distribution of self-adhesive materials. The share capital was purchased for an amount of £4,553,000. The Company acquired the business of Mactac U.K. Limited on 31 July 2017 at which point Mactac U.K. Limited ceased to trade actively. The company received a dividend from Mactac U.K. Limited in the amount of £3,383,105 on 10 August 2017 and a further dividend in the amount of £848,283 was received on 28 September 2017. The dividend income has been accounted for as a return of capital.

As Mactac U.K. Limited no longer trades actively, the Company has written-off the value of the investment.

10 Trade and other receivables	2017 £'000	2016 £'000
Amounts owed by group undertakings	28,620	32,596
Deferred tax (note 12)	139	52
Prepayments and accrued income	19	-
	<u>28,778</u>	<u>32,648</u>

Included in amounts owed by group undertakings is £19,060,519 (2016: £22,492,069) which is unsecured, interest bearing and is repayable within three months. Each advance of funds bears an interest rate based on the three month LIBOR or comparable rate. Interest rates are set by the Avery Dennison Corporate Treasury department quarterly. The remaining balance of £9,559,885 (2016: £10,103,641) is unsecured, non-interest bearing, has no fixed date for repayment and is repayable on demand.

11 Creditors: amounts falling due within one year	2017 £'000	2016 £'000
Trade creditors	36	44
Amounts owed to group undertakings	4,553	10,575
Other creditors	3,484	2,455
Accruals and deferred income	394	304
Accrued income	-	13
Bank overdraft	648	-
	<u>9,115</u>	<u>13,391</u>
Included in other creditors:		
Value added tax	3,098	2,455
Corporation tax	386	-

Included in amounts owed to group undertakings is £4,553,000 (2016: £7,338,336) which is unsecured, interest bearing and is repayable within three months. Each loan of funds bears an interest rate based on the three month LIBOR or comparable rate. Interest rates are set by the Avery Dennison Corporate Treasury department quarterly. The remaining balance of £Nil (2016: £3,236,742) is unsecured, non-interest bearing, has no fixed date for repayment and is repayable on demand.

Trade and other creditors are payable at various dates in the three months after the financial year in accordance with the creditors customary credit terms. Trade creditors of £Nil (2016: £Nil) have reserved title to terms supplied.

Creditors for taxation are payable in a timeframe set down by the relevant legislation.

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Creditors: amounts falling due after more than one year	2017 £'000	2016 £'000
Asset retirement obligation	151	-

The asset retirement obligation relates to the leasehold of premises acquired as part of the business transfer from Mactac UK Limited to the company in 2017.

13 Provisions for liabilities

The provision for deferred tax consists of the following deferred tax assets:

Deferred tax	2017 £'000	2016 £'000
The amount of the deferred tax asset is as follows:		
At 1 January	52	245
(Credit)/charge to the income statement (note 8)	87	(193)
At 31 December	139	52
Tax effect of timing differences because of:		
Pension movement	-	-
Other short-term timing differences	139	52
Deferred tax asset	139	52
<b>Deferred tax assets</b>		
Deferred tax assets to be recovered after more than twelve months	139	52
Deferred tax assets to be recovered within twelve months	-	-
	139	52

14 Financial commitments

At 31 December 2017, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due:	2017 £'000	2016 £'000
Not later than one year	229	24
Later than one year but not later than five years	698	214
Later than five years	-	-
Total	927	238

The operating leases relate to machinery and equipment which are leased over five years with between one and five years remaining. Vehicles which are leased over five years with between one and three years remaining.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 15 Post-employment benefits

A defined benefit pension plan on behalf of a group of UK Avery Dennison companies exists to which this company contributes. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The directors have concluded that the structure of the scheme does not enable the company to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis as a result of an increased weighting of the scheme towards deferred members combined with the cumulative effect of restructuring within the UK group over a number of years. As a result the company accounts for the scheme as a defined contribution scheme in accordance with IAS 19. The Defined Benefit Pension Plan is now closed to future entrants and future accrual with effect from 31 December 2011. From this date the Defined Contribution scheme was offered to members. This move covered all the UK Avery Dennison Companies. It is envisaged that the Scheme will carry on as a closed scheme. Each year the cost of funding the scheme is determined and an allocation of the cost between Avery Dennison companies is agreed.

Contributions paid to the defined benefit plan for the year amounted to £250,000 (2016: £250,000). Contributions paid to the defined contribution pension plan for the year amounted to £109,000 for this company (2016: £106,000) and are reflected as an expense in these accounts. Amounts payable into the scheme at year end amounted to £Nil (2016: £Nil). This represents the full annual contribution of the scheme for the company.

In accordance with IAS 19, set out below are the details of the UK Group Avery Dennison Pension Plan at the balance sheet date.

	2017 £'000	2016 £'000
Present value of scheme liabilities	(149,677)	(149,443)
Fair value of scheme assets	147,555	138,424
Pension liability	<u>(2,122)</u>	<u>(11,019)</u>

The movement in the group scheme assets and liabilities for the current and prior years are as follows:

	Scheme assets £'000	Scheme liabilities £'000	Pension deficit £'000
<b>At 1 January 2016</b>	114,229	(118,694)	(4,465)
<b>Movement in year:</b>			
Employer contributions	2,860	-	2,860
Interest income/(costs)	4,378	(4,483)	(105)
<b>Remeasurement gains/(losses):</b>			
- Return on plan assets excluding interest income	23,065	-	23,065
- Actuarial loss on changes in demographic assumptions	-	-	-
- Actuarial gain on changes in financial assumptions	-	(31,989)	(31,989)
Expenses paid	(385)	-	(385)
Benefits paid	(5,723)	5,723	-
<b>At 31 December 2016</b>	<u>138,424</u>	<u>(149,443)</u>	<u>(11,019)</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

15 Post-employment benefits - continued	Scheme assets £'000	Scheme liabilities £'000	Pension deficit £'000
<b>At 1 January 2017</b>	138,424	(149,443)	(11,019)
Movement in year:			
Employer contributions	2,860	-	2,860
Interest income/(costs)	3,682	(3,932)	(250)
Remeasurement gains/(losses):			
- Return on plan assets excluding interest income	8,526	-	8,526
- Actuarial loss on changes in demographic assumptions	-	(1,751)	(1,751)
- Actuarial gain on changes in financial assumptions	-	-	-
Expenses paid	(488)	-	(488)
Benefits paid	(5,449)	5,449	-
<b>At 31 December 2017</b>	<u>147,555</u>	<u>(149,677)</u>	<u>(2,122)</u>

16 Called up share capital	2017 £'000	2016 £'000
<b>Authorised shares of £1 each</b>		
1,000,000 Ordinary shares (2016: 1,000,000)	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called-up and fully paid shares of £1 each</b>		
500,001 Ordinary shares (2016: 5,000,001)	<u>500</u>	<u>500</u>

## 17 Reserves

A description of each reserve within equity is outlined below:

**Retained earnings**

The retained earnings account represents accumulated comprehensive income for the financial year and prior financial years less dividends paid.

**Capital contribution**

The capital contribution account was created as a result of a historical transfer of assets by the company's parent undertaking, Avery Dennison Office Products Manufacturing UK Limited to Avery Dennison UK II Limited.

## 18 Controlling parties

The ultimate parent undertaking and ultimate controlling party is Avery Dennison Corporation which is a company incorporated in the United States of America. This is the largest group of which the company is a member and for which group financial statements are prepared. Copies of the consolidated financial statements of the ultimate parent company may be obtained from The Secretary, Avery Dennison, 207 Goode Avenue, Glendale, California 91203-1222, USA.

The immediate parent company is Avery Dennison Office Products Manufacturing UK Limited, a company incorporated in the United Kingdom.

The parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared is Avery Dennison Corporation.

## 19 Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 27 September 2018 and were signed on its behalf on that date.