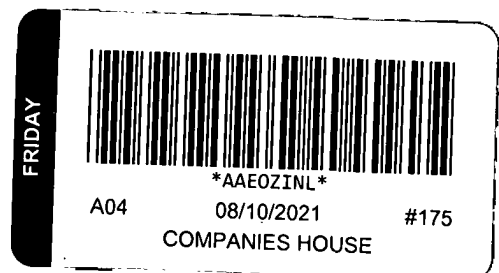


AVERY DENNISON UK II LIMITED

Annual Report

Registration # 04683413

Financial Year Ended 31 December 2020



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DIRECTORS AND OTHER INFORMATION

Board of Directors at 5 October 2021

M Collins (Irish)
P Newman (British)

Solicitors

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

Registered Office

Nelson Way
Nelson Park East
Cramlington
United Kingdom
NE23 1JR

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 Spencer Dock
North Wall Quay
Dublin 1
Republic of Ireland

DIRECTORS' REPORT - continued

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

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;
- 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 company is party to Commissionaire agreements whereby the company earns Commissionaire income acting as a sales agent for a principal based in the Netherlands, Avery Dennison Materials Europe B.V. "Turnover" included in the profit and loss account is comprised of commissionaire profit calculated in accordance with the terms of this agreement.

The profit before income tax amounted to £3,561,000 compared to a profit of £1,860,000 in the prior year. The total shareholders' funds of the company was £24,486,000 as at year end (2019: £22,457,000).

Dividends

The directors do not recommend the payment of a dividend in 2020 (2019: £Nil).

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 Avery Dennison's group's manufacturing facilities in the UK. The company is also targeting sections of the market which it believes offers the most growth potential.

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 2020 are set out below. Unless otherwise stated, they served as directors for the entire year.

M Collins	
P Newman	
J Diderich	(Resigned 31 August 2020)
E Alper	(Resigned 12 March 2021)

DIRECTORS' REPORT - continued

Political donations and political expenditure

The company made no political donations or incurred any political expenditure in 2020 (2019: £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.

Covid 19 Pandemic

The Covid-19 (coronavirus) outbreak has developed rapidly in 2020. The measures taken by various governments to contain the spread of the virus have impacted on the national and global markets in which the Company and the larger Avery Dennison group operate. The measures have also impacted Company operations. The Company has implemented measures to limit the spread of the virus and to protect the health and safety of our staff and other stakeholders. These include measures to improve social distancing and also having some staff members working from home.

Avery Dennison operates in the production and supply of labels and packaging, an essential element of the global supply chain for companies operating in the food and medical industries, which are deemed essential industries. Therefore, the group's production facilities for these lines of business have remained open in most countries and they continue to trade. Management at Avery Dennison group level have determined that the group has sufficient liquidity to continue to meet its obligations as they arise for the foreseeable future. For the entities servicing external customers, this means meeting obligations to internal and external suppliers.

The company operates in a limited risk capacity in the provision of services to other members of the Avery Dennison Group engaged in the production and supply of label and packaging and earns Commissionaire income acting as a sales agent for a principal based in the Netherlands, Avery Dennison Materials Europe B.V.

The severity and duration of the resulting economic impact of the measures enacted by governments is still uncertain at the time of approval of the financial statements. The Company does not know for how long the situation will continue and we are unable to quantify the potential effects of this pandemic on the future financial statements. However the directors of the Company have determined that there is no material going concern uncertainty as the Company expects to be profitable and cash generative for the foreseeable future given its internal customer base and the fact that these internal customers continue to trade as part of essential supply chains.

The success in 2021 of the vaccination campaign across the UK and most western economies has enabled much of the economic activities which were suspended due to onset of the pandemic to recommence. The current plans across the country and most western economies is to finish the vaccination roll out with the aim of lifting all economic and social restrictions as soon as practicable. The achievement of these objectives will be dependent on the success of the vaccination campaign and whether or not new variants emerged. Even if the pandemic eases relatively quickly then there could be significant economic dislocation and opportunities post pandemic such as a higher inflationary environment, impact of higher government debt levels, impact of winding down of government business supports, impact of larger parts of the workforce working remotely on a permanent basis and a potential consumer boom from pent up demand and higher savings level among certain segments of the population. Therefore there is significant uncertainty in the macro economic environment as to whether or not the pandemic will end relatively quickly or not and even if it should the post pandemic climate will bring opportunities and challenges. Management is keenly aware of the increased level of uncertainty over the short to medium term and will monitor the situation as it evolves in order to best position the company for growth and profitability. Sales performance has been strong in 2021 to date.

DIRECTORS' REPORT - continued

Impact of Brexit

Avery Dennison Europe as a group have worked closely with relevant authorities, professional advisors and stakeholders to ensure Brexit has minimal impact on the company's trading between the UK and European countries. The main revenue stream of the Company i.e commissionaire services is not significantly impacted by the ending of the Brexit transition period. Furthermore, the wider Avery Dennison group has made alterations to supply chains where appropriate to ensure operations and servicing of customers is not significantly impacted by the ending of the transition period.

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.

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.

Post balance sheet events

Please refer to the Covid-19 and Brexit sections above for consideration of these developments in 2021.

There are no events arising post year-end that require adjustment to, or disclosure in, these financial statements.

By order of the board

M Collins
Director

5 October 2021

DIRECTORS' REPORT - continued

Impact of Brexit

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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.

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Post balance sheet events

Please refer to the Covid-19 and Brexit sections above for consideration of these developments in 2021.

There are no events arising post year-end that require adjustment to, or disclosure in, these financial statements.



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 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the statement of financial position as at 31 December 2020;
 - 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 the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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



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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and the posting of fraudulent journal entries. Audit procedures performed included:

- Enquiry of management to identify any instances of non-compliance with laws and regulations;



- Enquiry of management to understand the company's control environment and processes in place to address fraud risk and the risk of management override of controls;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing legal expense accounts;
- Implementing specific procedures to address the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, accounting estimates, significant unusual transactions, suspense accounts and intercompany accounts;
- Assessment of management bias in individual accounting judgements; and
- Maintaining professional scepticism throughout the audit and incorporating unpredictability into our audit process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

Claire Doyle

Claire Doyle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin, Ireland
5 October 2021

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	4	5,695	4,577
Expenses		<u>(2,377)</u>	<u>(2,970)</u>
Operating profit	7	<u>3,318</u>	<u>1,607</u>
Finance income	6	260	304
Finance costs	6	<u>(17)</u>	<u>(51)</u>
Finance income – net	6	<u>243</u>	<u>253</u>
Profit before income tax		3,561	1,860
Income tax expense	8	<u>(1,532)</u>	<u>(389)</u>
Profit for the financial year		<u>2,029</u>	<u>1,471</u>

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

The notes on pages 12 to 24 are an integral part of these financial statements.

Avery Dennison UK II Limited

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Right of use assets	9	148	587
Lease receivable	9	200	-
		<u>348</u>	<u>587</u>
Current assets			
Trade and other receivables	10	39,315	35,392
Cash and cash equivalents		30	27
		<u>39,345</u>	<u>35,419</u>
Creditors: amounts falling due within one year	11	<u>(14,821)</u>	<u>(12,976)</u>
Net current assets		<u>24,524</u>	<u>22,443</u>
Total assets less current liabilities		24,872	23,030
Creditors: amounts falling due after more than one year	12	<u>(386)</u>	<u>(573)</u>
Net assets		<u>24,486</u>	<u>22,457</u>
Equity			
Ordinary shares	15	500	500
Capital contribution	16	10,042	10,042
Retained earnings	16	<u>13,944</u>	<u>11,915</u>
Total equity		<u>24,486</u>	<u>22,457</u>

The notes on pages 12 to 24 are an integral part of these financial statements.

The financial statements on pages 9 to 24 were authorised for issue by the board of directors on 5 October 2021 and were signed on its behalf by:



M Collins
 Director
 Avery Dennison UK II Limited

Registered no: 04683413

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2020

	Ordinary shares £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	500	10,042	10,444	20,986
Profit for the financial year	-	-	1,471	1,471
Total comprehensive income for the financial year	-	-	1,471	1,471
Balance at 31 December 2019	500	10,042	11,915	22,457
Balance at 1 January 2020	500	10,042	11,915	22,457
Profit for the financial year	-	-	2,029	2,029
Total comprehensive income for the financial year	-	-	2,029	2,029
Balance at 31 December 2020	500	10,042	13,944	24,486

The notes on pages 12 to 24 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 Nelson Way, Nelson Park East, Cramlington, United Kingdom NE23 1JR.

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).

2.2 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 'expenses'.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies – continued

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 U.K. Avery Dennison companies exists to which this company contributes. The structure of this plan is deemed to be a defined benefit plan that shares risks between entities under common control. The defined benefit accounting for the scheme is undertaken by the sponsoring employer and fellow subsidiary undertaking of Avery Dennison Corporation; Avery Dennison U.K. Limited. The Company accounts for the scheme as a defined contribution scheme.

The defined benefit plan is 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 plan will carry on as a closed scheme.

Where the plan is in deficit and the U.K. group of companies have agreed to make payments to reduce the deficit then the contributions are allocated between participating employers based on the employee split at the time of the decision to close the scheme to future entrants and future accrual.

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 Turnover

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. "Turnover" included in the profit and loss account is comprised of income 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

The company leases office space and vehicles. Rental contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies – continued

2.13 Leases - continued

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies – continued

2.13 Leases - continued

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.

2.14 Going concern

The company meets its day-to-day working capital requirements through its current resources. The current economic conditions continue to create uncertainty, particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

2.15 New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the company's financial statements.

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.

(a) Critical judgement in applying the entity's accounting policies

The following judgement, apart from those involving estimates, made by the directors has had significant effect on the amounts recognised in the entity financial statements:

Defined benefit pension plan

Certain employees participate in a defined benefit pension plan with Avery Dennison companies in the U.K. In the judgement of the directors, the plan is a defined benefit scheme that shares risk between entities under common control. The sponsoring employer, Avery Dennison U.K. Limited, applies defined benefit accounting when accounting for the scheme and the company accounts for the scheme as a defined contribution scheme. The current level of contributions payable by the entity is based on certain assumptions such as real return on assets held by the scheme, future increases in pensions and the length of time benefits will be payable to beneficiaries of the scheme and their dependants. Should the actual experience differ significantly from these assumptions then that could have a significant impact on the future cost base of the entity. See note 14 for further details.

(b) Critical accounting estimates and assumptions

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Turnover

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. Consistent with the terms of this arrangement, Commissionaire profit of £5,695,000 (2019: £4,557,000) generated for the financial year has been recorded within "Turnover".

5 Employees' and directors

2020
No. 2019
No.

Employees:

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

By activity:

Selling

23 29

Administration

- -

23 29

2020
£'000 2019
£'000

Employee costs

Wages and salaries

1,449 1,638

Social security costs

144 164

Other pension costs

- contributions paid to defined contribution pension scheme (note 14)

100 113

1,693 1,915

The company also incurred the following employee costs which are not part of this commissionaire agreement:

2020
£'000 2019
£'000

Employee costs

Other pension costs

- contributions paid to defined benefit pension fund (note 14)

100 100

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 2020 or 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Finance income and costs	2020	2019
	£'000	£'000
Interest receivable on loans owed by group undertakings:		
- repayable within one year	<u>260</u>	<u>304</u>
Lease liabilities (note 9)	(16)	(46)
Interest payable on loans owed to group undertakings:		
- repayable within one year	<u>(1)</u>	<u>(5)</u>
Finance costs	<u>(17)</u>	<u>(51)</u>
Net finance income	<u>243</u>	<u>253</u>

7 Operating profit	2020	2019
	£'000	£'000
Operating profit is stated after charging:		
Audit fees payable to the company's auditors	14	13
Foreign exchange gain	<u>(43)</u>	<u>(163)</u>

8 Income tax	2020	2019
	£'000	£'000
Tax expense included in profit or loss		
Current tax:		
United Kingdom corporation tax on profit for the year	669	350
Adjustment in respect of prior years	<u>860</u>	<u>25</u>
Total current tax charge	<u>1,529</u>	<u>375</u>
Deferred tax:		
Origination and reversal of timing differences	<u>3</u>	<u>14</u>
Total deferred tax charge (note 13)	<u>3</u>	<u>14</u>
Tax charge on profit	<u>1,532</u>	<u>389</u>

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are set out below:

	2020	2019
	£'000	£'000
Profit before tax	<u>3,561</u>	<u>1,860</u>
Profit multiplied by the average rate of UK corporation tax applicable in the financial year of 19% (2019: 19%)	677	354
Effects of:		
Prior year adjustment	860	25
Expenses not deductible for tax purposes	(5)	(4)
Deferred tax movement	-	14
Tax charge	<u>1,532</u>	<u>389</u>

In the Spring Budget 2020, the UK 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. On 24 May 2021, new legislation was enacted which would increase the corporation tax rate to 25% with effect from 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Leases

The company has lease contracts for buildings and vehicles used in the operations.

The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	31 December 2020 £'000	31 December 2019 £'000
Right-of-use assets		
Buildings	-	436
Vehicles	148	151
	<u>148</u>	<u>587</u>
Lease liabilities		
Current	(202)	(194)
Non-current	(279)	(393)
	<u>(481)</u>	<u>(587)</u>

In 2020, The buildings right of use asset was disposed and we entered into a sublease which is shown in current and non current assets. Additions to the right-of-use assets during the 2020 financial year were £94,000. Disposals were £464,000 and depreciation charged was £69,000. Included in disposals for the year is £436,000 related to the sub-lease of the building which was transferred to lease receivable. During the year the company received income of £53,000 from the sublease and recognised £103,000 of expenses related to the sub leased asset. The lease receivable is £133,000 due within the next year (note 10) and £200,000 due after one year.

(ii) Amounts recognised in the income statement

	31 December 2020 £'000	31 December 2019 £'000
The income statement shows the following amounts relating to leases:		
Depreciation charge of right-of-use assets		
Buildings	-	122
Vehicles	69	90
	<u>69</u>	<u>212</u>
Interest expense (Note 6)	16	46
Carrying amount of liability at 31 December 2020 are as follows:		
Not later than one year	206	210
Later than one year and not later than five years	296	412
Later than five years	-	-
Total gross payments	<u>502</u>	<u>622</u>
Impact of finance expenses	<u>(21)</u>	<u>(35)</u>
Carrying amount of liability	<u>481</u>	<u>587</u>

There was additions to the lease liabilities of £94,000 in the year, disposals of £31,000, interest charges of £16,000 and cash payments of £185,000. The total cash outflow for leases in 2019 was £231,000 (2018: £268,000).

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Trade and other receivables	2020 £'000	2019 £'000
Amounts owed by group undertakings	39,067	35,243
Deferred tax (note 13)	101	104
Lease receivable (note 9)	133	-
Prepayments and accrued income	14	45
	<u>39,315</u>	<u>35,392</u>

Included in amounts owed by group undertakings is £38,177,998 (2019: £34,406,330) which is unsecured, interest bearing and is repayable within three months. Each advance of funds bears an interest rate calculated on a base rate plus a credit risk spread. Interest rates are set by the Avery Dennison Corporate Treasury department quarterly. The remaining balance of £889,096 (2019: £836,864) is unsecured, non-interest bearing, has no fixed date for repayment and is repayable on demand.

11 Creditors: amounts falling due within one year	2020 £'000	2019 £'000
Trade creditors	4	20
Amounts owed to group undertakings	10,464	9,281
Taxation and social security	3,822	3,220
Accruals and deferred income	329	261
Lease liabilities (note 9)	202	194
	<u>14,821</u>	<u>12,976</u>

Included in amounts owed to group undertakings of £10,463,850 (2019: £9,280,548) 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 (2019: £Nil) have reserved title to terms supplied.

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

12 Creditors: amounts falling due after more than one year	2020 £'000	2019 £'000
Asset retirement obligation	107	180
Lease liabilities (note 9)	279	393
	<u>386</u>	<u>573</u>

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Deferred tax	2020 £'000	2019 £'000
The amount of the deferred tax asset is as follows:		
At 1 January	104	118
Charge to the income statement (note 8)	(3)	(14)
At 31 December	<u>101</u>	<u>104</u>
Tax effect of timing differences because of:		
Pension movement	-	-
Other short-term timing differences	<u>101</u>	<u>104</u>
Deferred tax asset	<u>101</u>	<u>104</u>
Deferred tax assets		
Deferred tax assets to be recovered after more than twelve months	101	104
Deferred tax assets to be recovered within twelve months	<u>-</u>	<u>-</u>
	<u>101</u>	<u>104</u>

14 Post-employment benefits

A defined benefit pension plan on behalf of a group of U.K. Avery Dennison companies is in place, to which this company contributes. Defined benefit pension 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 scheme is a defined benefit plan that shares risks between entities under common control. The company accounts for the scheme as if it was a defined contribution scheme as a fellow Avery Dennison Corporation subsidiary undertaking, Avery Dennison U.K. Limited is the sponsoring employer and applies defined benefit accounting for the scheme as a whole. The Defined Benefit Pension Plan is 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 U.K. Companies. It is envisaged that the plan 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. Defined benefit schemes by their nature have different risk return characteristics than defined contributions schemes. The final cost of the defined benefit scheme to the participating employer will be dependent on a number of factors including real return on assets of the scheme, level of pension increases and the length of time that benefits will be payable to beneficiaries and their dependants as covered by the rules of the scheme. Further details on the defined benefit pension scheme are disclosed in the financial statements of the sponsoring employer, Avery Dennison U.K. Limited.

Contributions paid to the defined benefit plan for the year amounted to £100,000 (2019: £100,000). Contributions paid to the defined contribution pension plan for the year amounted to £100,137 for this company (2019: £113,000) and are reflected as an expense in these accounts. Amounts payable into the scheme at year end amounted to £Nil (2019: £Nil). This represents the full annual contribution of the scheme for the company.

An allowance has been made for GMP equalisation in relation to transfer values paid from the plan prior to October 2018 following the high court ruling on 20 November 2020.

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

	2020 £'000	2019 £'000
Present value of scheme liabilities	(154,794)	(138,790)
Fair value of scheme assets	<u>155,338</u>	<u>145,848</u>
Pension surplus	<u>544</u>	<u>7,058</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Post-employment benefits - continued

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

	Scheme assets	Scheme liabilities	Pension (deficit)/ surplus
	£'000	£'000	£'000
At 1 January 2019	134,287	(124,306)	9,981
Movement in year:			
Employer contributions	1,360	-	1,360
Interest income/(costs)	3,837	(3,530)	307
Remeasurement gains/(losses):			
- Effects of experience adjustments	-	-	-
- Return on plan assets excluding interest income	11,872	-	11,872
- Actuarial gain on changes in demographic assumptions	-	1,196	1,196
- Actuarial gain on changes in financial assumptions	-	(15,855)	(15,855)
Expenses paid	(359)	-	(359)
Service costs	-	(1,444)	(1,444)
Benefits paid	(5,149)	5,149	-
At 31 December 2019	<u>145,848</u>	<u>(138,790)</u>	<u>7,058</u>
At 1 January 2020	145,848	(138,790)	7,058
Movement in year:			
Employer contributions	1,330	-	1,330
Interest income/(costs)	2,966	(2,819)	147
Remeasurement gains/(losses):			
- Effects of experience adjustments	-	-	-
- Return on plan assets excluding interest income	10,833	-	10,833
- Actuarial gain on changes in demographic assumptions	-	372	372
- Actuarial gain on changes in financial assumptions	-	(18,441)	(18,441)
Expenses paid	(435)	-	(435)
Service costs	-	(320)	(320)
Benefits paid	(5,204)	5,204	-
At 31 December 2020	<u>155,338</u>	<u>(154,794)</u>	<u>544</u>

15 Called up share capital

	2020 £'000	2017 £'000
Authorised shares of £1 each		
1,000,000 Ordinary shares (2019: 1,000,000)	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully paid shares of £1 each		
500,001 Ordinary shares (2019: 5,000,001)	<u>500</u>	<u>500</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

16 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.

17 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.

18 Post balance sheet events

The success in 2021 of the vaccination campaign across the UK and most western economies has enabled much of the economic activities which were suspended due to onset of the pandemic to recommence. The current plans across the country and most western economies is to finish the vaccination roll out with the aim of lifting all economic and social restrictions as soon as practicable. The achievement of these objectives will be dependent on the success of the vaccination campaign and whether or not new variants emerged. Even if the pandemic eases relatively quickly then there could be significant economic dislocation and opportunities post pandemic such as a higher inflationary environment, impact of higher government debt levels, impact of winding down of government business supports, impact of larger parts of the workforce working remotely on a permanent basis and a potential consumer products boom from pent up demand and higher savings level among certain segments of the population. Therefore there is significant uncertainty in the macro economic environment as to whether or not the pandemic will end relatively quickly or not and even if it should the post pandemic climate will bring opportunities and challenges. Sales performance has been strong in 2021 to date.

There were no other subsequent events affecting the company post year end.

19 Comparative period

The comparative period has been restated where necessary to conform with current period presentation.

20 Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 5 October 2021 and were signed on its behalf on that date.