

**Essentra Finance Limited**

Strategic report, Directors' report and financial statements

Registered number 5344520

31 December 2022

Registered number 5344520



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## Strategic report

*for the year ended 31 December 2022*

### Principal activities and business review

The Company is a wholly owned subsidiary of Essentra plc ("the Group") and its principal activity during the year was to provide financing and treasury management services to the Group and its subsidiary undertakings.

The Company has reported a loss before taxation of £65,630,000 (2021: profit of £15,444,000). This was primarily a result of the surrender of loans receivable of £70,000,000 net of interest income of £9,900,000 from the loan arrangements and investments with other group companies. The Company's net asset position has reduced from £297,713,000 to £228,106,000, as a result of the reported loss for the financial year.

The activities of the Company are in line with the operational strategy of the Group, of which Essentra Finance Limited is a subsidiary. Further details of the Group's strategy can be found in the Group Business Review on pages 4 to 21, and 36 to 39 of the Strategic Report of the Group Annual Report 2022. The Group Annual Report 2022 does not form part of this report, but is referred to where relevant for the purposes of this report.

### Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 52 to 65 of the Group Annual Report 2022.

The principal risks faced by the Company are of a financial nature due to its principal activities. The Company is exposed to credit risk, market price risk and liquidity risk.

### Financial risk management

The Company's ultimate parent during the year, the Group, managed the interest rate, price and liquidity risks associated with the whole group, details of which can be found in the financial risk management disclosure note on pages 172 to 177 of the Group Annual Report 2022.

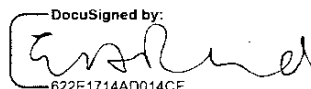
### Key performance indicators

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

### Environment

The Company is committed to continuous improvement in its environmental performance and applies a structured approach to monitoring its environmental impact through a number of different processes, details of which can be found in the environment related disclosure of the Group Annual Report 2022 on pages 22 to 35 and 40 to 46.

By order of the board

DocuSigned by:  
  
622E1714AD014CF  
**Emma Reid**  
Company Secretary

Registered Office:  
Langford Locks  
Kidlington  
Oxford  
OX5 1HX  
United Kingdom

30 June 2023

## **Directors' report**

### ***for the year ended 31 December 2022***

The Directors present their Directors' report and the financial statements for the year ended 31 December 2022.

#### **Results and dividends**

The loss for the financial year was £67,665,000 (2021: profit of £15,446,000).

During the year a dividend of £40,000,000 was paid to its parent entity (2021: £9,094,000). The Directors do not propose the payment of a final dividend (2021: £nil).

#### **Stakeholder engagement**

Section 172 of the Companies Act requires the directors to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The need to foster the Company's business relationships;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

As the company has no employees of its own with the exception of the directors and is intrinsically linked to the rest of the Group by means of being its main financing entity, all provisions in relation to s172 are covered by the Group's stakeholder engagement policy. Stakeholder engagement of the Group, which include those of the Company, are discussed on pages 38 to 39 of the Group Annual Report 2022.

#### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Lilly Liu (Resigned on 6 June 2022)

John Green (Resigned on 25 January 2023)

Jack Clarke (Appointed on 6 June 2022)

Emma Ann Reid (appointed on 25 January 2023)

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

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

## Directors' report

*for the year ended 31 December 2022* (continued)

### Going concern

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

Since the balance sheet date, and as part of the going concern assessment, the Board has also considered a downside scenario that reflects the current uncertainty in the global economy and which management consider to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the Group for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period.

The severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. A significant level of headroom remains in place with regard to liquidity and compliance with financial covenants. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

### Future outlook

The investments in trading companies with an international presence is expected to continue in the Company. For further details of the Group's outlook please refer to the Strategic Report section of the Group Annual Report 2022 on pages 4 to 5 and 10 to 13.

### Directors' indemnities

During the financial year and at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a Director or officer of the Company.

## Directors' report

*for the year ended 31 December 2022* (continued)

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2022 in accordance with section 476 of the Companies Act 2006, audit exemption for a subsidiary company.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

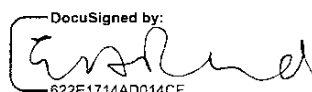
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure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

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

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**Emma Reid**  
*Company Secretary*

Registered Office:  
Langford Locks  
Kidlington  
Oxford  
OX5 1HX  
United Kingdom

30 June 2023

## Statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Administration (expense)/credit		(24)	155
Net exchange losses	3	(5,483)	(6,239)
<b>Operating loss before impairment of investments and loans receivable</b>	4	<b>(5,507)</b>	<b>(6,084)</b>
Impairment of investments and loans receivable	5	(23)	(29,197)
Surrender of loan receivables	5	(70,000)	-
Provision against preference dividends	5	-	(15,541)
Write-back of loans receivable	5	-	7,259
<b>Operating loss</b>		<b>(75,530)</b>	<b>(43,563)</b>
Income from shares in group undertakings	7	-	29,197
Other interest receivable and similar income	8	33,832	42,125
Interest payable and similar expenses	9	(23,932)	(12,315)
<b>(Loss)/profit before taxation</b>		<b>(65,630)</b>	<b>15,444</b>
Tax on losses	10	(2,035)	2
<b>(Loss)/profit and total comprehensive (expense)/income for the financial year</b>		<b>(67,665)</b>	<b>15,446</b>

## Balance sheet

at 31 December 2022

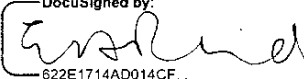
	Note	2022 £000	2021 £000
<b>Non-current assets</b>			
Investments	11	-	-
Derivative assets	16	8,224	-
		<b>8,224</b>	-
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	655,780	1,116,147
Cash at bank and in hand		387,170	37,795
		<b>1,042,950</b>	1,153,942
<b>Creditors: amounts falling due within one year</b>	13	<b>(821,033)</b>	<b>(800,584)</b>
<b>Net current assets</b>		<b>221,917</b>	353,358
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(2,035)</b>	<b>(55,645)</b>
<b>Net assets</b>		<b>228,106</b>	297,713
<b>Capital and reserves</b>			
Called up share capital	16	12,122	172,713
Share premium		24,495	-
Retained earnings		191,674	126,626
Cash flow hedging reserves	17	(185)	(1,626)
<b>Shareholders' funds: equity</b>		<b>228,106</b>	297,713

The financial statements on pages 8 to 21 are an integral part of these financial statements.

For the year ended 31 December 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

### Directors responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the period in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

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**Emma Reid**  
Director



## Statement of changes in equity

*for the year ended 31 December 2022*

	<i>Note</i>	<b>Called up share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Cash flow hedging reserve</b>	<b>Total equity</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 January 2021</b>		<b>172,713</b>	-	<b>120,274</b>	-	<b>292,987</b>
Profit for the financial year		-	-	15,446	-	15,446
Dividends paid		-	-	(9,094)	-	(9,094)
Movement in hedging reserves	17	-	-	-	(1,626)	(1,626)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>6,352</b>	<b>(1,626)</b>	<b>4,726</b>
<b>Balance at 31 December 2021</b>		<b>172,713</b>	-	<b>126,626</b>	<b>(1,626)</b>	<b>297,713</b>
Loss for the financial year		-	-	(67,665)	-	(67,665)
Dividends paid		-	-	(40,000)	-	(40,000)
Movement in hedging reserves	17	-	-	-	1,441	1,441
Reduction of share capital	16	(172,713)	-	172,713	-	-
Issue of new shares	16	12,122	24,495	-	-	36,617
<b>Total movements in equity for the year</b>		<b>(160,591)</b>	<b>24,495</b>	<b>65,048</b>	<b>1,441</b>	<b>(69,607)</b>
<b>Balance at 31 December 2022</b>		<b>12,122</b>	<b>24,495</b>	<b>191,674</b>	<b>(185)</b>	<b>228,106</b>

## Notes to the financial statements

*for the year ended 31 December 2022*

### 1 Accounting policies

The Company is incorporated and domiciled in England under the Companies Act. The address of the registered office is Langford Locks, Kidlington, Oxford, OX5 1HX, United Kingdom. The Company is a private company limited by shares.

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

#### ***Basis of preparation***

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

The Company's ultimate parent undertaking, the Group, includes the Company in its consolidated financial statements. The consolidated financial statements of the Group are prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards and are available to the public and may be obtained from the registered office of the Group at Langford Locks, Kidlington, Oxford, OX5 1HX, United Kingdom.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Essentra transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The financial statements have been prepared on a historical cost basis as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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 2.

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

- the requirements of paragraph 45(b) and 46-52 of IFRS 2 *Share-Based Payment*;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- the requirement of IFRS 7 *Financial Instruments: Disclosures*;
- the requirement of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

## Notes to the financial statements

*for the year ended 31 December 2022 (continued)*

### **1 Accounting policies** (continued)

#### **Basis of preparation** (continued)

- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

#### **Going concern**

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

Since the balance sheet date, and as part of the going concern assessment, the Board has also considered a downside scenario that reflects the current uncertainty in the global economy and which management consider to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the Group for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The scenario includes assumption for similar extent of disruptions as seen in 2021.

The severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Significant level of headroom remains in place with regard to liquidity and compliance with financial covenants. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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

During the year, there have been no new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022, that have had a material impact on these financial statements.

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income. Exchange differences arising from movements in spot rates are included in the statement of comprehensive income as exchange gains or losses. These exchange gains or losses are included within administration expenses in the statement of comprehensive income.

Exchange gains or losses arising from the interest differential elements of forward currency contracts are included within interest receivable/payable and similar income/expenses.

#### **Interest income and expense**

Interest income and expense is recognised in the statement of comprehensive income as it accrues.

## Notes to the financial statements

*for the year ended 31 December 2022* (continued)

### **1 Accounting policies** (continued)

#### ***Taxation***

Income tax in the statement of comprehensive income comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet dates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### ***Investment in subsidiary undertakings***

Investment in subsidiary undertakings is held at cost less any provision for impairment. The Company assesses at each balance sheet date whether the investment in its subsidiaries has been impaired.

#### ***Impairment***

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Notes to the financial statements***for the year ended 31 December 2022* (continued)**1 Accounting policies** (continued)**Financial assets**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise receivables in the balance sheet.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised accordingly using the effective interest method.

Impairment assessments of financial assets are compliant with IFRS 9 expected credit loss models, which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

**Financial liabilities**

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially recognised at fair value net of transaction costs incurred. They are subsequently held at amortised cost using the effective interest method.

**Derivative financial instruments**

Derivatives are measured initially at fair value. Subsequent measurement in the financial statements depends on the classification of the derivative as follows:

*(i) Fair value hedges*

Where a derivative is used to hedge the foreign exchange exposure of a monetary asset or liability, any gain or loss on the derivative is recognised in the income statement.

*(ii) Cash flow hedges*

Where a derivative is designated as a hedging instrument in a cash flow hedge, the change in fair value is recognised in other comprehensive income to the extent that it is effective and any ineffective portion is recognised in the income statement. Where the underlying transaction results in a financial asset, accumulated gains and losses are recognised in the income statement in the same period as the hedged item affects profit or loss. Where the hedged item results in a non-financial asset the accumulated gains and losses previously recognised in other comprehensive income are included in the initial carrying value of the asset.

*(iii) Unhedged derivatives*

The movements in the fair value of derivatives which are not designated as an effective hedge relationship are charged/credited to the profit or loss.

**Dividends**

Dividends are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

Dividends from subsidiary undertakings and associated undertakings are accounted for in the period in which the shareholders' right to receive payment has been established and when, in the Directors' opinion, sufficient funds are available for payment.

**Notes to the financial statements***for the year ended 31 December 2022* (continued)**2 Critical accounting judgements and estimates**

The following provides information on the policy that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position. There are no critical accounting judgements and the following represent the key areas of estimation uncertainty in preparing the financial statements.

***Impairment***

The Company has tested investments in subsidiary undertakings and intercompany loan receivable balances for impairment which requires estimates when determining the recoverable amount. In determining the recoverable amount of the investment in subsidiary undertakings and intercompany loan receivable balances it is necessary to make a series of assumptions to estimate the present value of future cash flows. When the carrying amount of the net assets held by the subsidiary undertaking or the group company that is party to the loan are higher than the present value of its future cash flows, this value is deemed to be the recoverable amount. The assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Key assumptions and applied discount rates of the Group, which include those of the Company, are discussed on pages 112 of the Group Annual Report 2021.

***Taxation***

Liabilities for tax contingencies require management judgements and estimates in respect of tax audit issues and exposures in each of the jurisdictions in which it operates. Management is also required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Where management conclude a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered probable based on the information available.

**3 Net exchange income/(losses)**

The Company takes out foreign currency denominated bank loans for the purpose of hedging the net investment of the overseas subsidiaries of the Group. In the consolidated financial statements of the Group, the gains and losses on the foreign exchange bank loans are taken to other comprehensive income since they are designated as part of a hedging relationship. In the financial statements of the Company, the exchange gains and losses on the foreign exchange bank loans are taken to the statement of comprehensive income since they are not designated as part of a hedging relationship.

**4 Operating (loss)/profit before impairment of investments and loans receivable**

	2022	2021
	£000	£000
Auditors' remuneration:		
Audit of these financial statements	-	5

For the year ended 31 December 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

## Notes to the financial statements

*for the year ended 31 December 2022* (continued)

### 5 Impairment of an investment and impairment of loans receivable

	2022 £000	2021 £000
Impairment of investment in ESNT Finance Ireland Limited	-	29,197
Provision against preference dividends	-	15,541
Impairment of loans receivable	91	-
Write-back of loans receivable	(68)	(7,259)
Surrender of intercompany receivable in ESNT International Limited	70,000	-
	<u>70,023</u>	<u>37,479</u>

During the year, Essentra Finance Limited formally released ESNT International Limited from its obligations under an intercompany receivable balance of £70,000,000. This has been written off to the profit and loss.

In the prior year, the investment in ESNT Finance Ireland Limited was impaired to the extent that the carrying amount of the investment exceeded its recoverable amount, indicated by the net assets held in this subsidiary. The impairment resulted from the payment of dividends by the subsidiary in the year (see note 7). ESNT Finance Ireland Limited has now been dissolved.

During the prior year, the impairment of £7,259,000 on amounts owed by Essentra Industria E Commercio Limitda was written back, as this loan receivable was distributed to Essentra International Limited in specie in full settlement of the interim dividend of USD\$12,550,000.

During the prior year, preference dividend income from Filtrona Limited of £15,541,066 was provided against.

## Notes to the financial statements

*for the year ended 31 December 2022* (continued)

### 6 Remuneration of Directors

The Company had no employees in either the current or prior years and the Directors did not receive any fees or emoluments from the Company directly attributable to their services to the Company. All Directors' fees or emoluments were paid by Essentra International Limited and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated. No recharge has been made in the current or prior years for the services of the Directors.

### 7 Income from shares in group undertakings

	2022 £000	2021 £000
Income from shares in ESNT Finance Ireland Limited	-	29,197
Total income from shares in group undertakings	-	29,197

### 8 Interest receivable and similar income

	2022 £000	2021 £000
Receivable from group undertakings	31,592	41,561
Bank deposits	2,240	564
	33,832	42,125

Included within amounts receivable from group undertakings is a credit of £nil (2021: £6,616,066) relating to preference shares receivable from Filtrona Limited.

### 9 Interest payable and similar expenses

	2022 £000	2021 £000
Payable to group undertakings	16,272	6,622
Bank loans and overdrafts	7,660	5,693
	23,932	12,315



## Notes to the financial statements

*for the year ended 31 December 2022* (continued)

### 10 Tax on (loss)/profit

a) Amounts charged/(credited) in the statement of comprehensive income

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>UK Corporation tax</b>		
Current tax	-	-
Adjustments in respect of prior periods	-	(2)
	<hr/>	<hr/>
Total current tax charge/(credit)	-	(2)
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination & reversal of timing differences	<b>1,851</b>	16
Prior year adjustment	<b>184</b>	(16)
	<hr/>	<hr/>
Total deferred tax charge	<b>2,035</b>	-
	<hr/>	<hr/>
Tax charge/(credit) on (loss)/profit	<b>2,035</b>	(2)
	<hr/> <hr/>	<hr/> <hr/>

b) Factors affecting the tax charge/(credit) for the year

The total tax credit on the loss before tax differs to the theoretical amount that would arise using the standard rate of corporation tax in the UK of 19% (2021: 19%). The tax charge is higher than (2021: charge lower than) the standard rate and the differences are explained below:

	<b>2022</b>	2021
	<b>£000</b>	£000
(Loss)/profit before taxation	<b>(65,630)</b>	15,444
	<hr/>	<hr/>
Tax charge on profit at 19% (2021: 19%)	<b>(12,470)</b>	2,934
	<hr/>	<hr/>
<b>Effects of:</b>		
Non taxable dividend income	-	(5,548)
Non taxable income on preference shares	-	(1,257)
Deferred tax on derivatives not yet reported in the statement of comprehensive income	<b>1,851</b>	-
Adjustments in respect of prior periods	<b>184</b>	(18)
Expenses not deductible for tax purposes including impairments	<b>13,305</b>	8,136
Group relief claimed for nil payment	<b>(835)</b>	(4,249)
	<hr/>	<hr/>
Total tax charge / (credit) reported in the statement of comprehensive income (see above)	<b>2,035</b>	(2)
	<hr/> <hr/>	<hr/> <hr/>

c) Change in corporation tax rate

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 24 May 2021). These include an increase of the main rate of corporation tax to 25% from 1 April 2023.

## Notes to the financial statements

for the year ended 31 December 2022 (continued)

### 11 Investments

	2022 £000	2021 £000
<b>Cost</b>		
At beginning of year and at end of year	462,885	462,885
Disposal and liquidation of investments	(462,885)	-
	-	462,885
<b>Provision for impairment</b>		
At beginning of year	(462,885)	(433,688)
Disposal and liquidation of investments	462,885	-
Impairment charge (note 5)	-	(29,197)
	-	(462,885)
<b>Net book value</b>		
At end of year	-	-

Subsidiary undertaking	Country of incorporation	Principal activity	Address of registered office
ESNT Finance Ireland Limited (dissolved)	Ireland	Treasury activities	7 Airways Industrial Estate, Cloghran, Dublin 17, D17 RR88, Ireland
Essentra Finance (Euro) Ireland Limited (dissolved)	Ireland	Treasury activities	7 Airways Industrial Estate, Cloghran, Dublin 17, D17 RR88, Ireland

The investments in the companies above relate to ordinary shares or common stock. The principal country in which each company operates is the country of incorporation.

All entities above are wholly owned subsidiaries of the Company.

**Notes to the financial statements***for the year ended 31 December 2022* (continued)**12 Debtors: amounts falling due within one year**

	<b>2022</b>	2021
	<b>£000</b>	£000
Amounts owed by group undertakings	<b>655,692</b>	1,115,227
Other debtors	<b>59</b>	182
Derivative financial assets	<b>29</b>	738
	<hr/> <b>655,780</b> <hr/>	<hr/> 1,116,147 <hr/>

In the prior year, on 8 October 2021 by joint agreement from both parties, preference shares of \$138,000,000 were converted to one sterling preference share valued at £101,470,588 and preference shares of €140,000,000 were converted to one sterling preference share valued £118,644,068. The preference shares were then transferred to Essentra Services Limited in exchange for a loan receivable of the same value.

All other amounts owed by group undertakings are repayable on demand, unsecured and interest is charged at a rate set with reference to the interest rate benchmark, Sterling Overnight Index Average ("SONIA"). The Company adopted SONIA from 1 January 2021 following the adoption of the Interest Rate Benchmark Reform. An impairment provision of £nil (2021: £436,000) is included in the amounts owed by group undertakings.

Included within amounts owed by group undertakings is £188,246,000 (2021: £237,685,000) denominated in USD, £72,498,000 (2021: £111,262,000) denominated in EURO and £2,825,000 (2021: £5,036,000) denominated in other non-sterling currency.

**13 Creditors: amounts falling due within one year**

	<b>2022</b>	2021
	<b>£000</b>	£000
Amounts owed to group undertakings	<b>820,550</b>	798,128
Bank loans and overdraft	<b>-</b>	1,389
Derivative financial liabilities	<b>113</b>	3
Accruals and deferred income	<b>370</b>	1,064
	<hr/> <b>821,033</b> <hr/>	<hr/> 800,584 <hr/>

Included within amounts owed to group undertakings is £289,912,000 (2021: £257,700,000) payable to the Group relating to US Private Placement Loan Notes (USPP), the funds from which the Company administers on behalf of the Group. Details regarding the USPP can be found in the 2022 Group Annual Report on page 164.

**Notes to the financial statements***for the year ended 31 December 2022* (continued)**13 Creditors: amounts falling due within one year** (continued)

Remaining amounts owed to group undertakings are repayable on demand, unsecured and interest is charged at a rate set with reference to the interest rate benchmark, SONIA. The Company adopted SONIA from 1 January 2021 following the adoption of the Interest Rate Benchmark Reform.

Total derivative liabilities include amounts payable of £113,000 (2021: £3,000) in respect of contracts with group undertakings.

The currency profile of amounts falling due within one year is as follows:

	Amounts owed to group undertakings £000	Bank loans and overdraft £000	Derivative financial liabilities £000	Accruals and deferred income £000	<b>2022 Total £000</b>
Sterling	416,056	-	113	370	<b>416,539</b>
Euro	29,398	-	-	-	<b>29,398</b>
US Dollar	361,243	-	-	-	<b>361,243</b>
Other	13,853	-	-	-	<b>13,853</b>
	<u>820,550</u>	<u>-</u>	<u>113</u>	<u>370</u>	<u><b>821,033</b></u>

	Amounts owed to group undertakings £000	Bank loans and overdraft £000	Derivative financial liabilities £000	Accruals and deferred income £000	<b>2021 Total £000</b>
Sterling	390,863	1,208	3	1,064	<b>393,138</b>
Euro	60,188	-	-	-	<b>60,188</b>
US Dollar	333,844	181	-	-	<b>334,025</b>
Other	13,233	-	-	-	<b>13,233</b>
	<u>798,128</u>	<u>1,389</u>	<u>3</u>	<u>1,064</u>	<u><b>800,584</b></u>

## Notes to the financial statements

*for the year ended 31 December 2022* (continued)

### 14 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Unsecured bank loans	-	55,645
Deferred tax liabilities	2,035	-
	<u>2,035</u>	<u>55,645</u>

At 31 December 2022, unsecured bank loans represented a revolving credit facility ("RCF") of £200,000,000 (2021: £275,000,000) of which £nil (2021: £59,200,000) was drawn in sterling and euros at floating rates of interest set by reference to SONIA. The Company adopted SONIA from 1 January 2021 following the adoption of the Interest Rate Benchmark Reform. In October 2022, following lender consent and following the sale of the Packaging business and the expected completion of the Filters business, the decision was taken by the directors to reduce the facility to 200,000,000, maintaining the same terms.

The currency profile of the carrying and nominal values of Essentra Finance Limited's loans and borrowings is as follows:

	Carrying value £000	2022 Nominal value £000	Carrying value £000	2021 Nominal value £000
Sterling	-	-	55,645	59,200
Euro	-	-	-	-
	<u>-</u>	<u>-</u>	<u>55,645</u>	<u>59,200</u>

The difference between the total nominal and carrying value of loans and borrowings relates to the amortised value of prepaid facility fees of £nil (2021: £3,555,000).

### 15 Deferred tax (liabilities)/assets

Deferred tax assets and liabilities are attributable to the following:

	Assets £000	Liabilities £000	2022 Net £000	Assets £000	Liabilities £000	2021 Net £000
Derivative temporary differences	-	(2,035)	(2,035)	-	-	-
Deferred tax asset/(liability)	<u>-</u>	<u>(2,035)</u>	<u>(2,035)</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

for the year ended 31 December 2022 (continued)

### 16 Called up share capital

	2022 £000	2021 £000
Issued and fully paid ordinary shares of £0.000001 (2021: £1.00) each	12,122	172,713
	<u>2022</u>	<u>2021</u>
	No.	No.
Number of ordinary shares in issue		
At beginning and end of year	12,122,393,909,637	172,712,637

During the year the share capital of the Company was reduced by the cancellation of £0.999999 from each issued ordinary share of £1.00 with the amount of such reduction (£172,713,000) being credited to the Company's distributable reserves.

During the year the Company allotted 12,122,221,197,000 fully paid £0.000001 ordinary shares (aggregate nominal value of £12,122,000) for total consideration of £36,617,000 including share premium of £24,495,000.

### 17 Cash flow hedging reserves

In July 2021, Essentra entered into a number of cross currency interest rate swap contracts to hedge the foreign currency risk (principal and interest) of \$145,000,000 of its US Private Placement Loan Notes. The maturity profile of these match those of the underlying instruments with \$20m notional value maturing within 3 years and the remainder between 5 and 7 years. In November 2022 \$65,000,000 of these swap contracts were terminated leaving \$80,000,000 notional value maturing within 6 years. Where effective, these contracts are accounted for as cash flow hedges, with the impact of cross currency basis treated as a cost of hedging. The carrying amount of the related derivative assets was £8,224,000 (2021: £nil).

Movements in the hedging reserve are analysed below.

	2022 Cost of hedging reserve £000	2022 Cash flow hedging reserve £000	2022 Total Hedging £000	2021 Total Hedging £000
Balance at the beginning of the year	900	(2,526)	(1,626)	-
Change in fair value of forward foreign exchange contracts recognised in other comprehensive income	-	(215)	(215)	-
Change in fair value of cross currency swaps recognised in other comprehensive income	(2,000)	19,028	17,028	664
Amounts recycled to finance expense on discontinued hedges		156	156	-
Ineffectiveness recognised in profit or loss (finance income)	-	846	846	(505)
Amounts recycled to finance expense to offset retranslation of hedged loans	-	(16,374)	(16,374)	(1,785)
Balance at the end of the year	(1,100)	915	(185)	(1,626)

**Notes to the financial statements**  
*for the year ended 31 December 2022 (continued)*

**18 Contingent liabilities**

The Company has a cross guarantee with the Group in respect of £nil (2021: £59,200,000 ) RCF borrowing and (2021: \$350,000,000) US Private Placement ("USPP") borrowings. The Company is the primary borrower for the RCF and the Group the primary borrower for the USPP.

**19 Dividends paid**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Declared and paid during the year</b>		
Equity dividends on ordinary shares paid to parent undertaking	<b>40,000</b>	9,094
	<hr/>	<hr/>

The directors do not propose a final dividend in respect of the financial year ended 31 December 2022 (2021: £nil).

On 16 February 2022, a dividend of £40,000,000 was paid to the sole shareholder of the Company, Essentra International Limited. The dividend was paid by distributing in specie the receivable the Company held from ESNT Packaging and Securing Solutions Ltd.

On 18 March 2021, an interim dividend of US\$12,550,000 (equivalent to £9,094,000) was paid to the sole shareholder of the Company, Essentra International Limited. The interim dividend was paid by distributing in specie the receivable the Company holds from Essentra Industria E Commercio Limitda.

**20 Post balance sheet events**

In January 2023, the Company repaid \$247m to Essentra plc relating to US Private Placement Loan Notes (USPP).

**21 Ultimate parent Company and parent undertaking of larger group of which the Company is a member**

The Company's immediate parent undertaking is Essentra International Limited, a company incorporated in England and Wales.

The ultimate parent company is Essentra plc, a company incorporated in England and Wales. This is the only group in which the results of the Company are consolidated.

The consolidated financial statements of the Group are available to the public and may be obtained from the registered office of The Group at Langford Locks, Kidlington, Oxford, OX5 1HX.