

**Coveris Flexibles (Gainsborough)  
UK Limited**

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 04786458

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# Coveris Flexibles (Gainsborough) UK Limited

## Company Information

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<b>Directors</b>	S Hamer T Otto I G Vickery I Arbanas
<b>Registered number</b>	04786458
<b>Registered office</b>	Holland Place Wardentree Park Pinchbeck Spalding Lincolnshire PE11 3ZN
<b>Independent auditor</b>	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

# Coveris Flexibles (Gainsborough) UK Limited

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# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report For the Year Ended 31 December 2022

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The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2022.

### Principal activity

The principal activity of Coveris Flexibles (Gainsborough) UK Limited (the "Company") is the manufacture and sale of flexible packaging products that are used predominantly in the Food and Consumer markets.

### Review of business

Coveris Flexibles (Gainsborough) UK Limited comprises of 3 business units until 31 December 2022 being: Burnley, Gainsborough and Hartlepool. From 1st January 2023 Hartlepool's trade and net assets were transferred to another Coveris group entity, Coveris Speciality Bags Limited (formerly Initial Packaging Solutions Limited), in order to better align business synergies and the market segments that they operate in. During 2022 Gainsborough and Burnley continued to improve in terms of operational efficiencies with further significant improvements being evident. These efficiencies were supported by a structured approach to continuous improvement, a targeted approach to capital investment and a comprehensive training program (Operations Academy). During the period of the Covid-19 pandemic Hartlepool reported increased revenues and profits in 2020 and 2021 due to increased requirements for medical packaging, this increased volume significantly reduced in 2022 with Hartlepool returning to its core markets which impacted both its revenue and profit levels.

Turnover, for continuing operations, has increased by £9.5m year on year reflecting the pass through of raw material and other cost inflation into customer selling prices. Overall volumes remained at 2021 levels as some markets benefitted from the post pandemic recovery whilst others found it more challenging. Whilst the prior years' lockdowns encouraged more people to eat at home, therefore, increasing volume for some products it naturally reduced volumes related to the hospitality industry and this reversed in 2022. Produce related volume continue to remain challenging.

Further process improvements within operations and strict cost management, specifically regarding staffing and operational efficiencies, resulted in contribution value, for continuing operations, being maintained at prior year levels despite the impact of raw material and other costs price inflation. Post Covid-19 absence returned to more normalised levels and specifically through the peak of the produce season. Brexit continued to have a relatively minimal impact on the business and imported material supply was maintained.

Gross margin for continuing operations remained flat at £8.3m partly as a result of the timing of selling price recovery of various inflationary costs, giving a gross margin percentage of 10.8% (2021 – 12.5%) whilst the gross margin for discontinued operations decreased from £4.0m to a loss of £0.2m mainly due to the decrease in medical packaging. Despite the improvements in operational efficiencies and cost take out programs operating profit from continuing operations reduced to £0.3m (2021 - £0.7m), this result reflects the delay in the recovery of inflationary pressures rather than any long-term deterioration in profitability.

The overall loss before tax for the year was £2.7m (2021 - profit of £2.2m). Pre-exceptional EBITDA, which is a key measure of performance within the business was a profit of £5.3m (2021 - £10.1m).

# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

### Review of business (continued)

	2022 £000	2021 £000
Operating (loss)/profit	(1,380)	3,286
Exceptional items	305	(24)
Depreciation	6,368	6,764
Amortisation	-	70
<b>Pre-exceptional EBITDA - total</b>	<b>5,293</b>	<b>10,096</b>

For the continuing operations within this legal entity, i.e. the Gainsborough and Burnley sites, the pre-exceptional EBITDA was a profit of £6.0m (2021 - £6.9m) and the discontinued operations were a pre-exceptional EBITDA loss of £0.7m (2021 - profit £3.2m).

	2022 Continuing £000	2022 Discontinued £000	2021 Continuing £000	2021 Discontinued £000
Operating (loss)/profit	287	(1,667)	666	2,620
Exceptional items	-	305	(24)	-
Depreciation	5,728	640	6,252	512
Amortisation	-	-	-	70
<b>Pre-exceptional EBITDA</b>	<b>6,015</b>	<b>(722)</b>	<b>6,894</b>	<b>3,202</b>

### 2023 trading update

The start to 2023 has seen turnover and volumes in line with overall expectations and looking ahead to the months to come in 2023 we expect sales growth compared to prior year due to new business wins, for which there is a strong sales pipeline, based on newly developed fully recyclable materials. This new material will be introduced to existing markets and will help develop sales in new markets. Due to the high inflation conditions we expect to maintain current levels of contribution through sustained operational improvements and selling price increases.

### Plastic Packaging Tax

In April 2022 the UK Government introduced the Plastic Packaging Tax (PPT), this tax applies to UK producers of plastic packaging, importers of plastic packaging, business customers of producers and importers of plastic packaging, and consumers who buy goods in plastic packaging in the UK. Since the introduction of this new tax £1.5m of plastic packaging tax has been reported with the relevant tax returns and payments made to HMRC. The company and wider Coveris group continue to dedicate significant resources to further utilise recycled products within the offering to customers.

# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

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### Going concern

Inflationary pressures and the pass through of these, represent the most challenging pressures to support and maintain continued financial performance. A combination of continued improvements in productivity, customer service, the introduction of new materials, cost management and selling price increases plus a strong sales pipeline will enable us to maintain competitiveness. The Directors have assessed key factors such as liquidity, revenue and profitability as well as considering appropriate sensitivities on these measures and it is the opinion of the Directors that the business will continue as a going concern. Please see note 2.3 for further information on going concern.

### Principal risks and uncertainties

The principal and financial risks and uncertainties are managed on a Coveris Group wide basis. The management of the business and the execution of the Group's strategy are subject to a number of principal risks and uncertainties, the most significant being raw material and energy price inflation, foreign exchange fluctuations, product quality and customer relationship/demand management.

Raw material price inflation, either caused by fluctuations in commodity prices or foreign exchange rates, can have an impact on the cost price of the Group's products. The Group has a dedicated operational team that consolidates the Group purchasing to build strong relationships with key suppliers and also ensure that we have sufficient raw materials to meet forecasted demand. Purchasing contracts are agreed in advance in order to minimise the risk of commodity price fluctuations having a negative impact on the Group. The Group also regularly reviews its operational format and invests in new machinery and techniques in order to minimise raw material stock wastage.

Due to macro-economic factors the energy cost either directly or indirectly attributable to raw material production is considered a risk to the business, this will continue to be a focus for the group procurement teams and a key element of our pricing structures to ensure that major fluctuations in profitability are mitigated.

Product quality is of paramount importance as a failure in product quality could have a significant impact on the Group. Our raw materials are sourced from a stable supplier base and pass through a number of quality control processes, both at our suppliers and at our manufacturing locations. Suppliers are selected based upon previous experience and we operate approved supplier lists. Batches of products are tested daily for quality to ensure they meet the Group's stringent standards, prior to being dispatched to our customers.

Maintaining good working relationships with customers is of paramount importance to the Group, therefore being able to predict customer demand and responding to customer requests is key to achieving this. The Group utilises its own experience to forecast customer demand and also regularly meets with key customers to identify any changes in demand. The Group has also invested in a number of manufacturing plants based across the United Kingdom, in upgrading its plant and machinery and in training its dedicated workforce in order to allow the Group to respond to changes in demand whilst maintaining its strict quality standards.

# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

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### Financial risk management

Due to being part of the Coveris Group, the financial risk management of the Company is managed on a Group wide basis by the Coveris S.A. central finance team. The financial risk management risks and policies are disclosed in the consolidated financial statements of Coveris S.A. The elements which are controlled by the Company are disclosed below.

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise of cash balances and intercompany balances (including cash pooling balances). Interest bearing liabilities comprise of bank overdrafts, lease liabilities, intercompany balances (including cash pooling balances) and bank loans. The cash assets are subject to interest rate fluctuations as are the bank loans and overdraft liabilities. The UK Group intercompany loan assets and liabilities are free from interest. Intercompany loan liabilities with the ultimate parent undertaking, Coveris S.A., have variable interest rates of 4.0%. The group reviews its interest rate policy on a regular basis and as of the 1 January 2023 the interest rate payable on the loan liabilities increased to 7.6%.

The Company is exposed to liquidity risk. The Company has committed financing through its parent undertakings and the Group finance team regularly monitor available cash balances and available facilities to ensure that the Group has sufficient funds to meet its obligations.

The Company is exposed to credit risk as a result of its operations. Prior to sales being made appropriate checks are performed over the ability of the customer to pay. Regular reviews of credit limits and monitoring the aged debtors ledger are utilised to minimise the risk to the group on an ongoing basis. Credit insurance is also utilised to further mitigate the risk of loss to the group.

In December 2022 the Company entered into a new financing facility which represented a non-recourse factoring arrangement of certain trade receivables. After consideration of the de-recognition principles of IFRS9, this factoring arrangement was considered to substantially transfer the risks and rewards of those factored receivables to the factor and thus represented a sale of the trade receivables. The risk of recoverability for those factored receivables passes to the factor, and therefore improves financial risk management of these financial assets for the Company.

### Key performance indicators ("KPI's")

Given the straightforward nature of the businesses within the Group, the Company's Directors are of the opinion that analysis using KPI's, other than that included within the review of business, is not necessary for an understanding of the development, performance or position of the business.

# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

### Directors' statement of compliance with duty to promote the success of the Company

The Company operates in a sector characterised by long term relationships between stakeholders. Maintaining a reputation for high standards of business conduct is vital and the Company expects all stakeholders to always behave with integrity, acting openly, honestly and ethically. The Company has zero tolerance to fraud and consistently maintains effective oversight and scrutiny of processes, executed with independence and impartiality. Integrity is underpinned with policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing, each of which is reinforced through appropriate training.

The Directors recognise their responsibility to act in a way which promotes the success of the Company for all stakeholders, in line with Section 172(1) of the Companies Act 2006, and as such, has evaluated its key stakeholders, why we need to engage with them and how we have engaged with them during the year. As a wholly owned subsidiary, the Directors do not consider the factor set out in Section 172(1)(f) (the need to act fairly between the members of the Company) relevant to the proper discharge of their duty under Section 172.

Stakeholder Group	Why we engage	How we engage
Employees	The long-term success of the Company relies upon our employees being committed to our strategy and core values. We engage regularly with our employees to ensure we create a safe environment in which they are happy to work. We strive for highly skilled employees with a low turnover rate which are key factors in being a leading producer of packaging products.	We hold regular communications meetings in order to share performance, strategy and seek feedback. We seek employee feedback through the means of Employee Consultation Forums, Employee Surveys, and dialogues with Trades Unions (where these are present on site).
Customers	Building solid and long-standing relationships with our customers is fundamental to the success of the Company. We pride ourselves on providing excellent customer service and products that meet all customer requirements to maintain customer loyalty and build brand reputation.	Our sales team have regular communication with our customers to ensure we are meeting their requirements and working collaboratively for future developments. Customer visits and on-site audits are regular occurrences and are actively encouraged.
Suppliers	In order to be flexible and adaptable to our customer needs, we retain a large and versatile global supply base to ensure we meet the quality and technical requirements that our customers set for us.	Our supply chain team have regular correspondence and undertake site audits with our supply base. Face- to-face meetings, telephone calls and emails are also commonplace. We work collaboratively and set reasonable expectations in open and honest working relationships.
Community	The Company cares about its local community and is passionate about making the local area a great place to live and work. We want to build trust amongst the community and work collaboratively.	The Company has created a Community Support fund. Employees are invited to propose good causes based in their communities which have a positive impact on wellbeing, participation in sport, and supporting disadvantaged groups.



# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

### Directors' statement of compliance with duty to promote the success of the Company (continued)

Environment	The Company is aware of its responsibilities to the environment and the impact it has on the wider world. Given the industry we operate in, we believe we have a moral obligation to reduce our environmental impact and always seek more environmentally friendly practices where appropriate.	At Coveris, our aim is to drive toward a net zero environmental impact by 2050. This means educating our people to stay within our permitted limits for operations, using best available techniques to tackle our environmental impacts, prioritising our efforts where we can make the most difference in reducing our contribution to climate change, and to protect a cleaner, healthier and more resilient environment that benefits society and our economy. We celebrate World Earth day across our UK organisation where we encourage the workforce to join our identified initiatives to make an environmental difference.
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### Greenhouse gas emissions, energy consumption and energy efficiency action

The Streamlined Energy and Carbon Reporting ("SECR") disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

Scope 1: These include emissions from activities owned or controlled by the organisation that release emissions into the atmosphere. They are direct emissions. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment.

Scope 2: These include emissions released into the atmosphere associated with the consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of the organisation's activities, but which occur at sources we do not own or control.

Scope 3: Emissions that are a consequence of our actions, which occur at sources which we do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by the organisation, waste disposal which is not owned or controlled, or purchased materials.

## Coveris Flexibles (Gainsborough) UK Limited

### Strategic Report (continued) For the Year Ended 31 December 2022

#### Greenhouse gas emissions, energy consumption and energy efficiency action (continued)

	Year to 31 December 2022	Year to 31 December 2021
Energy consumption used to calculate emissions (kWh)	21,673,041	25,379,342
Emissions from combustion of gas (Scope 1) tCO <sub>2</sub> e	2,098	2,750
Emissions from combustion of fuel for transport purposes (Scope 1) tCO <sub>2</sub> e	95	64
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO <sub>2</sub> e	63	45
Emissions from purchased electricity (Scope 2, location-based) tCO <sub>2</sub> e	1,837	2,103
Emissions from purchased electricity (Scope 2, market-based) tCO <sub>2</sub> e	933	1,604
Total gross tCO <sub>2</sub> e based on above (location-based)	4,093	4,962
Total gross tCO <sub>2</sub> e based on above (market-based)	3,189	4,463
Intensity ratio (tCO <sub>2</sub> e/total production 000 m <sup>2</sup> ) (location-based)	0.01312	0.01561
Intensity ratio (tCO <sub>2</sub> e/total production 000 m <sup>2</sup> ) (market-based)	0.01022	0.01404

A location-based method reflects the average emissions intensity of grids on which energy consumption occurs. A market-based method reflects emissions from electricity that companies have purposefully chosen.

#### Energy efficiency action summary for the year to 31 December 2022

Coveris Flexibles (Gainsborough) UK Limited continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including:

- LED lighting - there is running programme to replace all high energy consuming lighting systems with LED panels /fittings.
- Installing passive sensing for all lighting systems - there is a running programme of replacement as items fall due to be replaced. In the Hartlepool site the use of PIR sensors in warehouse high bay lighting has reduced energy consumption because only the aisle in the warehouse that is being used is lit up.
- Regenerative Thermal Oxidizer Management - shutting down the RTO during non-productive periods – this must be carried out with 'Cool Down' mode switched off to retain as much heat in the chambers as possible. In the Hartlepool site the RTO plant uses gas to generate heat - this year we also re-lagged the interior to make it more energy efficient.
- Solvent Vapour Management – endeavour to always have at least one press running to ensure the central duct is always supplied with volatile vapours to maximise the time that the RTO runs in 'Sustain' rather than burning gas in 'Run' mode.
- Sub Metering – install turbine meters at all gas inlets to all major assets, install CTs at switchgear for all major assets, install smart links.
- Free Cooler as a Pre-Cooler - utilise cool ambient air to pre-chill process cooling water to reduce the need to compress refrigerant gas in chilling plants.
- Use of solar lighting in some external areas - e.g. at our Hartlepool site, security lighting has its own solar panel so the lighting has zero energy consumption.
- Smart heating systems - we have installed the latest smart heating device to control the factory heating at our Hartlepool site. It replaces an old system that would either be 'on' or 'off' by manual control, so in many cases we were consuming gas when the factory did not need heating. The smart device also has detailed tracking data to identify further efficiencies.

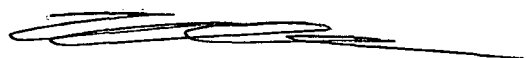
# Coveris Flexibles (Gainsborough) UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

### Methodology notes

Reporting Period	1 of January 2022- 31 of December 2022
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Coveris Flexibles (Gainsborough) UK Limited's annual accounts made up to 31 December 2022
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2022 for all emissions factors <a href="https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022">https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022</a>
Conversion factor source	Natural Gas and gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020 LPG: Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance Direct Emissions from Stationary Combustion Sources 2008
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from mileage data to kWh and GHG emissions using the method above.
Reason for the intensity measurement choice	Following the recommendations of the SECR legislation and based on the nature of our business, production (tCO <sub>2</sub> e/production 000 m <sup>2</sup> ) gives the best overview on our efficiency performance on a longer scale.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).
Amount of renewable electricity (kWh) imported from the grid and backed by REGOs.	4,676,819

This report was approved by the board on 5<sup>th</sup> May 2023 and signed on its behalf.



**T Otto**  
Director

# Coveris Flexibles (Gainsborough) UK Limited

## Directors' Report For the Year Ended 31 December 2022

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The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

### Results and dividends

The loss for the year, after taxation, amounted to £1,978,000 (2021 - profit £1,289,000).

No dividends were declared or paid during the year (2021 - Nil).

### Directors

The Directors who served during the year were:

M J Davis (resigned 18 April 2023)  
S Hamer  
C Kolarik (resigned 16 January 2023)  
R Matthews (resigned 18 April 2023)  
T Otto  
I G Vickery

I Arbanas was appointed as a director of the Company on 16 January 2023, after the reporting date.

### Engagement with employees

Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the bonus schemes linked to operating result.

Consultation with employees or their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole.

### Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### Qualifying third party indemnity provisions

The Company has not entered into qualifying third party indemnity arrangements for the benefit of the Directors in a form and scope detailed within the Companies Act 2006.

### Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the Company.

# Coveris Flexibles (Gainsborough) UK Limited

## Directors' Report (continued) For the Year Ended 31 December 2022

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### Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

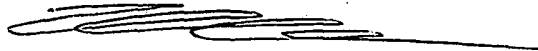
### Events after the reporting period

Post year-end the Coveris UK group of companies have performed a hive across, effective 1 January 2023, whereby the trade and net assets of the Hartlepool operational site within Coveris Flexibles (Gainsborough) UK Limited has been transferred to Coveris Speciality Bags Limited (formerly Initial Packaging Solutions Limited) the net assets were transferred and paid for at book values as laid out in note 19. Therefore, having met the criteria as required by IFRS 5, the Hartlepool operational site has been shown as discontinued operations in the Statement of Comprehensive Income and the assets as held for sale in the Statement of Financial Position. There have been no other significant events affecting the Company since the year end.

### Auditor

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

This report was approved by the board on 5<sup>th</sup> May 2023 and signed on its behalf.



T Otto  
Director

# **Coveris Flexibles (Gainsborough) UK Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2022**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company 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.

# **Coveris Flexibles (Gainsborough) UK Limited**

## **Independent Auditor's report to the members of Coveris Flexibles (Gainsborough) UK Limited**

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### **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Coveris Flexibles (Gainsborough) UK Limited ("the Company") for the year ended 31 December 2022 which comprise , Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

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

### *Independence*

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

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

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.

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.

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

# Coveris Flexibles (Gainsborough) UK Limited

## Independent Auditor's report to the members of Coveris Flexibles (Gainsborough) UK Limited (continued)

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

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

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

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

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

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

### Responsibilities of directors

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

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



# Coveris Flexibles (Gainsborough) UK Limited

## Independent Auditor's report to the members of Coveris Flexibles (Gainsborough) UK Limited (continued)

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### Auditor's responsibilities for the audit of the financial statements

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

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We made detailed enquiries of management's internal control systems and IT systems to identify that appropriate segregation of duties was in order for the relative size of the company. Where deficiencies in internal controls and IT general controls were noted, we designed and tailored our audit procedures to consider whether the control weakness resulted, or could result, in material misstatement due to error or fraud.

We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. We specifically reviewed manual journals to those financial statement areas that are inherently susceptible to management manipulation and bias, including, but not limited to revenue, cost of sales, trade receivables and cash postings.

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 posting inappropriate journal entries to improve performances and management bias in accounting estimates. In particular, we considered the appropriateness of judgements and estimation within deferred tax recognition, defined benefit pension scheme and provisions.

We also applied a detailed risk assessment approach to our audit of revenue, by considering what could go wrong within each of the Company's revenue streams and tailored our testing to responded to risks that we identified. This included the use of data analytics to gain a high level of assurance over revenue populations, and to target test outliers that may indicate bias, manipulation, error or fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

## Coveris Flexibles (Gainsborough) UK Limited

### Independent Auditor's report to the members of Coveris Flexibles (Gainsborough) UK Limited (continued)

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#### Auditor's responsibilities for the audit of the financial statements (continued)

*Extent to which the audit was capable of detecting irregularities, including fraud (continued)*

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

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

DocuSigned by:

*Mark Langford*

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Mark Langford (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Leeds

United Kingdom

05 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Coveris Flexibles (Gainsborough) UK Limited

### Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	Continuing operations 2022 £000	Discontin'd operations 2022 £000	Total 2022 £000	Continuing operations 2021 £000	Discontin'd operations 2021 £000	Total 2021 £000
Turnover	4	76,483	10,165	86,648	66,967	15,111	82,078
Cost of sales		(68,214)	(10,358)	(78,572)	(58,624)	(11,064)	(69,688)
<b>Gross profit</b>		<b>8,269</b>	<b>(193)</b>	<b>8,076</b>	<b>8,343</b>	<b>4,047</b>	<b>12,390</b>
Administrative expenses		(9,233)	(1,169)	(10,402)	(8,502)	(1,439)	(9,941)
Exceptional administrative expenses	5	-	(305)	(305)	24	-	24
<b>Total administrative expenses</b>		<b>(9,233)</b>	<b>(1,474)</b>	<b>(10,707)</b>	<b>(8,478)</b>	<b>(1,439)</b>	<b>(9,917)</b>
Other Operating Income	6	1,251	-	1,251	801	12	813
<b>Operating (loss)/profit</b>	7	<b>287</b>	<b>(1,667)</b>	<b>(1,380)</b>	<b>666</b>	<b>2,620</b>	<b>3,286</b>
Interest receivable and similar income		-	-	-	-	8	8
Interest payable	11	(1,265)	(118)	(1,383)	(1,141)	(63)	(1,204)
Other finance income	12	112	-	112	75	-	75
<b>(Loss)/profit before tax</b>		<b>(866)</b>	<b>(1,785)</b>	<b>(2,651)</b>	<b>(400)</b>	<b>2,565</b>	<b>2,165</b>
Tax on (loss)/profit	13	673	-	673	(876)	-	(876)
<b>(Loss)/profit for the financial year</b>		<b>(193)</b>	<b>(1,785)</b>	<b>(1,978)</b>	<b>(1,276)</b>	<b>2,565</b>	<b>1,289</b>
<b>Other comprehensive income/(loss):</b>							
<b>Items that will not be reclassified to profit or loss:</b>							
Remeasurement of defined benefit pension asset	30			(4,612)			104
Effect of changes in the unrecoverable surplus	30			4,624			(508)
<b>Total other comprehensive profit/(loss)</b>				<b>12</b>			<b>(404)</b>
<b>Total comprehensive (loss)/profit for the year</b>				<b>(1,966)</b>			<b>885</b>

All other comprehensive income/(loss) relates only to continuing operations.

The notes on pages 20 to 53 form part of these financial statements.

# Coveris Flexibles (Gainsborough) UK Limited

Registered number:04786458

## Statement of Financial Position As at 31 December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
<b>Fixed assets</b>					
Intangible assets	15	-	-	-	-
Tangible assets	16	20,163		24,945	
Investments	17	-		-	
Deferred tax asset	18	3,290		2,617	
			<u>23,453</u>		<u>27,562</u>
<b>Current assets</b>					
Assets in disposal groups classified as held for sale	19	6,930		-	
Stocks	20	11,196		13,079	
Debtors: amounts falling due within one year	21	9,678		16,075	
Cash at bank and in hand	22	2,087		2,674	
		<u>29,891</u>		<u>31,828</u>	
Creditors: amounts falling due within one year	23	(16,991)		(31,457)	
Liabilities directly associated with assets in disposal groups classified as held for sale	19	(6,747)		-	
<b>Net current liabilities</b>		<u>(23,738)</u>		<u>(31,457)</u>	
			<u>6,153</u>		<u>371</u>
<b>Total assets less current liabilities</b>			<u>29,606</u>		<u>27,933</u>
Creditors: amounts falling due after more than one year	24	(22,786)		(18,827)	
<b>Provisions for liabilities</b>					
Other provisions	26	(500)		(820)	
<b>Net assets</b>			<u>6,320</u>		<u>8,286</u>

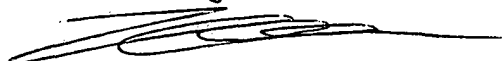
# Coveris Flexibles (Gainsborough) UK Limited

Registered number:04786458

## Statement of Financial Position (continued) As at 31 December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
<b>Capital and reserves</b>					
Called up share capital	27		-		-
Share premium account	28		37,000		37,000
Merger reserve	28		(89,448)		(89,448)
Profit and loss account	28		58,768		60,734
<b>Total equity</b>			<u>6,320</u>		<u>8,286</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
5<sup>th</sup> May 2023.



**T Otto**  
Director

The notes on pages 20 to 53 form part of these financial statements.

# Coveris Flexibles (Gainsborough) UK Limited

## Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2021</b>	-	37,000	(89,448)	59,849	7,401
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,289	1,289
Other comprehensive loss	-	-	-	(404)	(404)
<b>Total comprehensive income for the year</b>	-	-	-	885	885
<b>At 1 January 2022</b>	-	37,000	(89,448)	60,734	8,286
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(1,978)	(1,978)
Other comprehensive income	-	-	-	12	12
<b>Total comprehensive loss for the year</b>	-	-	-	(1,966)	(1,966)
<b>At 31 December 2022</b>	-	37,000	(89,448)	58,768	6,320

The notes on pages 20 to 53 form part of these financial statements.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 1. General information

Coveris Flexibles (Gainsborough) UK Limited is a private company, limited by shares, and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations;
- 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 and 18A 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Coveris S.A. These financial statements do not include certain disclosures in respect of:

- the requirements of IFRS 7 Financial Instruments: Disclosures.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.3 Going concern

For a period of at least 12 months from the signing of these financial statements, the Directors have assessed key factors such as liquidity, revenue and profitability, and have considered appropriate sensitivities on these measures together with the principal risks and uncertainties faced by the business and having sought and obtained assurances of continuing group support for access to the group cash pooling facility and confirmation that group loans will not be recalled, and it is the opinion of the Directors that the business will continue as a going concern.

#### 2.4 Foreign currency translation

##### Functional and presentation currency

The financial statements are prepared in Sterling (£) which is the functional currency of the Company and rounded to the nearest £000's unless otherwise stated.

##### Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'cost of sales'.

#### 2.5 Turnover

Turnover represents sales to external customers and is measured at fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty. Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on receipt of the goods at customer's premises. Turnover is stated after deducting all related agreements, for example retrospective adjustments to revenue. At the reporting date the amounts expected to be reclaimed under agreements with customers are accrued for and deducted from revenue. In line with GSCOP guidance these amounts are held in accruals to the shorter of settlement with the customer or two full accounting periods since the accrual was created.

Other income includes management charges made to other Coveris UK businesses and is recognised on an accruals basis and also includes government grants receivable for furloughed employees.



# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.6 Pensions

##### Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

##### Defined benefit pension plan

The Company also operates a defined benefit pension scheme. 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.

The asset calculated in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. If the scheme is in a net surplus position, the movement in de-recognising this surplus is also charged or credited through other comprehensive income.

With effect from 23 November 2022 the Trustee of the Defined Benefit Pension Scheme entered a buy-in policy with Aviva in respect of all Scheme members. As the buy-in policy is an investment in the name of the Trustee, the purchase of the buy-in policy has been treated as an investment loss. This is based on our understanding of IAS19 and in particular paragraph 112.

The value of the buy-in policy at the end of the accounting period is based on our understanding of how IAS19 requires buy-in policies, which exactly match the amount and timing of the benefits covered by the policy, to be valued.

The decision to purchase the buy-in policy is an investment decision by the Trustee. Via its sponsorship of the Defined Benefit Pension Scheme the Company is now exposed to insurer covenant risk. However, as the benefits are now secured with an insurer, the Company is no longer exposed to interest rate, inflation and mortality risk.

#### 2.7 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.8 Other operating income

##### Government grants

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

#### 2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

#### 2.10 Finance costs

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

#### 2.11 Current and deferred taxation

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

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

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

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

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

#### 2.12 Intangible assets

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

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.13 Sale of businesses between wholly owned members of the Coveris group

When the trading assets of an entity are transferred between companies wholly under common control any excess of the fair value of consideration paid over the net assets acquired is recognised in reserves, rather than as goodwill, under the merger accounting principles.

#### 2.14 Tangible fixed assets

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

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Long leasehold property	- 2% to 10% on cost
Leasehold improvements	- over the period of the lease
Plant and machinery	- 10% to 50% on cost
Motor vehicles	- 25% on cost
Fixtures and fittings	- 20% to 33% on cost
Right of use assets	- over the period of the lease

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

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

No depreciation is charged on assets under the course of construction until they are complete and available for use. Land is not depreciated.

#### 2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

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**2. Accounting policies (continued)**

**2.16 Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Company's accounting policy; and
- fair value less costs of disposal.

A disposal group is defined by IFRS 5 as a group of assets, possibly including some associated liabilities, which an entity intends to dispose of in a single transaction.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the Statement of Comprehensive Income up to the date of disposal. The amounts disclosed in relation to analysis of expenditure, finance costs and finance income and components of income tax relate only to continuing operations, including comparatives.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

**2.17 Stocks**

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

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

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.18 Cash and cash equivalents

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

The Company benefits from having access to a Group wide cash pooling facility which is controlled by the ultimate parent company. Although the accounts are held and managed locally, the substance of the arrangement is that of an intercompany balance due to the requirement to request authority and give notice of the companies' intended use to the parent company. The nature of this facility therefore does not satisfy the definition of cash and cash equivalents and has instead been presented within amounts due to/from group undertakings.

The financial instrument accounting policy outlines the nature and substance of the non-recourse factoring facility and its IFRS9 presentation. The company retains servicing rights of factored receivables on behalf of the factor. The company is involved in collecting cash on the original financial instruments that have been deemed as sold to the factor. Cash received from factored trade debtors, is collected on behalf of the factor, and the company is acting as an agent in this arrangement. While logistics and the processing of the cash on behalf of the factor is through company controlled banking facilities, the nature and substance of this cash is that it is not owned and controlled by the Company as there is an immediate and simultaneous obligation created to the factor on receipt of cash flows from the original customer. As such, these cash balances are not presented as cash and cash equivalents, the obligation to repay these monies to the factor is offset against the cash receipted in on the original financial instrument.

#### 2.19 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Provisions are discounted only where the impact is considered to be material.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.20 Financial instruments

##### Financial Assets

##### Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, or amortised cost. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables and amounts due from group undertakings.

##### Factoring

The Company is party to a non-recourse factoring agreement whereby trade receivables that are accepted by the factor, are considered to have been sold. Under IFRS9 the company has transferred substantially all of the risks and rewards of ownership of the financial instrument, the factored receivable, as the underlying cash flows of the original financial asset are considered to be legally and in substance owed and due to the factor, rather than the Company. The Company also has a linked insurance policy which, on factored receivables, any rights to insurance monies are forgone and transferred to the factor on any defaulted instruments. Together, along with other quantitative and qualitative factors, the substance of the transactions in this facility constitute a clear transfer of risks and rewards to the factor, and results in a derecognition of the original trade receivables with no equal and opposite financial liability required to be recognised under IFRS9.

As part of the arrangement, the Company has retained servicing rights of the original financial asset, but only in so far as acting on behalf of the factor as the agent in the relationship to continue to collect the cash flows of these financial instruments. On default, the factor would retain responsibility and risk of cash collection, and thus no credit losses are recognised on these financial assets. The Company's continuing involvement as agent supports the original de-recognition assessment under IFRS9. Cash that has been receipted in from the original financial instrument, collected on behalf of the factor, is not presented in cash and cash equivalents, as the underlying substance of this transaction is that the company is the agent in collecting these funds and therefore does not recognise the cash as in its own control.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.20 Financial instruments (continued)

##### Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

##### Financial Liabilities

##### Initial recognition and measurement

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Financial liabilities consist of trade and other payables, amounts due to group undertakings, lease liabilities and bank borrowings.

Financial liabilities are classified at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.20 Financial instruments (continued)

##### Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

##### Fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

##### Amortised cost

Other financial liabilities at amortised cost are recognised when the Company becomes party to the related contract, and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability.

##### Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.



# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.21 Leases

##### Identifying Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) there is an identified asset;
- (b) the Company obtains substantially all the economic benefits from use of the asset; and
- (c) the Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

##### Lease Measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.21 Leases (continued)

##### Lease Measurement (continued)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

#### **Impairment of assets (notes 15, 16, 20 and 21) - judgement and estimate**

The future recoverability of assets (being intangible assets, debtors, stocks and tangible fixed assets) requires the use of judgement as it requires management to make estimates and judgements in relation to future cash flows. These estimates could be impacted by events and circumstances outside of the control of management, for example a deterioration in the financial health of a major customer or significant deterioration in the UK economy as a whole. In making their assessment of recoverability management have utilised the latest expected financial performance budgets for the Company.

#### **Pension (note 30) - judgement and estimate**

The accounting for the defined benefit pension scheme requires a significant amount of estimation, in relation to the discount rates used. A small change in the discount rates used could result in a change to the amounts recognised through total comprehensive income. It is the judgement of the directors that the Company does not have an unconditional right to the return of the surplus of the defined benefit pension scheme and it is therefore de-recognised at each reporting date with the movements in the surplus shown in other comprehensive income.

#### **Useful economic lives of tangible fixed assets and residual values (note 16) - estimate**

The tangible fixed assets are depreciated over their useful economic lives to their expected residual value. A change in technology or other such events could have an impact on both. Each year the assets are reviewed, and their useful economic lives and residual values are adjusted, as and when required.

#### **Revenue recognition - estimate**

Revenue is recognised based upon agreed terms with customers and accepted delivery of goods. However, as is common place within the UK Food Industry, agreements are often entered into with customers which retrospectively adjust the invoiced price. These adjustments are often based upon the achievement of variable criteria, for example sales growth year on year or the achievement of sales volume targets. The period of these agreements is often not coterminous with the Company's financial year and therefore estimates are required of the likely amounts to be claimed by customers based upon sales made during the year. The settlement of these liabilities could be at differing values to those predicted at the year-end for a number of reasons, for example post year end under/over performance in sales forecasts or negotiations made subsequent to the year end.

#### **Carrying value of stocks (note 20) - estimate**

Management review the market value of and demand for stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the Company's products and achievable selling prices.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 3. Judgements in applying accounting policies (continued)

#### Derecognition of trade debtors (note 21) - judgement

The Company is party to a non-recourse factoring agreement whereby trade receivables that are accepted by the factor, are considered to have been sold. It is management's judgement that, under IFRS9, the company has transferred substantially all of the risks and rewards of ownership of the financial instrument, the factored receivable, as the underlying cash flows of the original financial asset are considered to be legally and in substance owed and due to the factor, rather than the Company.

As part of the arrangement, the Company has retained servicing rights of the original financial asset, but only in so far as acting on behalf of the factor as the agent in the relationship to continue to collect the cash flows of these financial instruments. On default, the factor would retain responsibility and risk of cash collection, and thus no credit losses are recognised on these financial assets. The Company's continuing involvement as agent supports the original de-recognition assessment under IFRS9. Cash that has received in from the original financial instrument, collected on behalf of the factor, is not presented in cash and cash equivalents, as the underlying substance of this transaction is that the company is the agent in collecting these funds and therefore does not recognise the cash as in its own control.

#### Provisions (note 26) - judgement and estimate

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Leasehold dilapidations relate to the estimated cost of returning the leasehold properties to their original state at the end of the leases in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the leases. Whether a present obligation is probable or not requires judgement. Management's judgement is applied regarding the nature and extent of obligation in deciding if an outflow of resources is probable or not.

#### Leases (note 25) - judgement and estimate

On application of IFRS 16 the Directors have to exercise judgement as to the measurement of the lease term, considering the likelihood of exercising extension or termination clauses in contracts. Furthermore there are estimates inherent within the calculation of the lease liability and right of use asset, including most significantly the discount rate applied to the contractual cash flows.

### 4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

Analysis of turnover by geographic market of customer:

	2022 £000	2021 £000
United Kingdom	74,626	65,583
Rest of Europe	1,857	1,384
Rest of the world	-	-
	<u>76,483</u>	<u>66,967</u>

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 5. Exceptional administrative expenses

	2022 £000	2021 £000
Restructuring	-	(24)

### 6. Other operating income

	2022 £000	2021 £000
Intercompany management charges	1,251	773
Government grants receivable for furloughed employees	-	28
	<u>1,251</u>	<u>801</u>

### 7. Operating (loss)/profit

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

	2022 £000	2021 £000
Depreciation of property, plant and equipment	4,720	4,940
Depreciation of right of use assets	1,005	1,312
Profit on disposal of fixed assets	(86)	(17)
Foreign exchange losses/(gains)	73	(265)
Operating lease charges on low value and short term leases	26	58
Cost of stocks recognised as an expense	45,845	37,066
Defined contribution pension cost	755	678

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 8. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	87	59

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

### 9. Employees

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

	2022 £000	2021 £000
Wages and salaries	13,298	12,786
Social security costs	1,410	1,289
Cost of defined contribution scheme	755	678
	<u>15,463</u>	<u>14,753</u>

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

	2022 No.	2021 No.
Directors	6	6
Production	264	266
Administration	77	75
	<u>347</u>	<u>347</u>

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 10. Directors' remuneration

Included within the wages and salaries note above are Directors emoluments. Some Directors are paid by other group companies with no direct recharge of these costs. Those paid directly by the Company, for the period that they were statutory directors, are presented below:

	2022 £000	2021 £000
Directors' emoluments	290	368
Company contributions to defined contribution pension schemes	22	31
	<u>312</u>	<u>399</u>

During the year, retirement benefits were accruing to 2 (2021 - 3) directors in respect of defined contribution pension schemes.

During the year, emoluments paid to the highest paid director totalled £169,000 (2021 - £163,000) and company contributions to defined contribution pension schemes for the highest paid director totalled £13,000 (2021 - £12,000).

### 11. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	503	598
Loans from group undertakings	454	209
Interest on lease liabilities	308	334
	<u>1,265</u>	<u>1,141</u>

### 12. Other finance income

	2022 £000	2021 £000
Net interest income on pension scheme assets	<u>112</u>	<u>75</u>

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 13. Taxation

	2022 £000	2021 £000
<b>Corporation tax</b>		
Current tax on losses/profits for the year	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	168	906
Impact of change in tax rates	(305)	(518)
Adjustment in respect of prior years	(536)	488
<b>Total deferred tax</b>	<b>(673)</b>	<b>876</b>
<b>Taxation on loss/profit</b>	<b>(673)</b>	<b>876</b>

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

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
(Loss)/profit before tax	(2,651)	2,165
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(504)	411
<b>Effects of:</b>		
Expenses not deductible/(Income) not taxable for tax purposes	79	(23)
Re-measurement of deferred tax	(305)	(518)
Deferred tax not recognised	(720)	-
Adjustments to tax charge in respect of prior years	(536)	488
Capital allowances	(267)	(231)
Group relief for nil consideration	1,375	615
Other differences	205	134
<b>Total tax (credit)/charge for the year</b>	<b>(673)</b>	<b>876</b>

The total taxation (credit)/charge relates only to continuing operations.



# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 13. Taxation (continued)

#### Factors that may affect future tax charges

The Finance Act 2021 was substantively enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantially enacted, at 31 December 2022. For the year ended 31 December 2022, the above rates have been utilised to calculate the closing deferred taxation balances (giving an effective rate of 24.7%).

### 14. Discontinued operations

The Coveris UK group of companies have performed a hive across effective 1 January 2023, whereby the trade and assets of the Hartlepool operational site has been transferred to Coveris Speciality Bags Limited (formerly Initial Packaging Solutions Limited). The assets and associated liabilities of Hartlepool have been classified as held for sale (see note 19). Hartlepool represented a significant line of business and a separate standalone manufacturing site and is therefore classed as a disposal group in line with IFRS 5.

### 15. Intangible assets

	<b>Customer lists £000</b>
<b>Cost</b>	
At 1 January 2022 and 31 December 2022	<b>1,407</b>
<b>Amortisation</b>	
At 1 January 2022 and 31 December 2022	<b>1,407</b>
<b>Net book value</b>	
At 31 December 2022	-
At 31 December 2021	-

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 16. Tangible fixed assets

	Long leasehold property £000	Leasehold improvements £000	Assets under construction £000	Plant and machinery £000
<b>Cost</b>				
At 1 January 2022	2,481	617	-	54,248
Additions	23	27	187	3,739
Transfers intra group	-	-	-	1,220
Disposals	-	-	-	(2,122)
Transfers between classes	-	-	25	(65)
Reclassified to held for sale	(790)	-	(169)	(10,619)
At 31 December 2022	1,714	644	43	46,401
<b>Depreciation</b>				
At 1 January 2022	843	453	-	40,577
Charge for the year	5	20	-	4,915
Transfers intra group	-	-	-	781
Disposals	-	-	-	(2,001)
Reclassified to held for sale	(775)	-	-	(8,308)
At 31 December 2022	73	473	-	35,964
<b>Net book value</b>				
At 31 December 2022	1,641	171	43	10,437
At 31 December 2021	1,638	164	-	13,671

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 16. Tangible fixed assets (continued)

	Motor vehicles £000	Fixtures and fittings £000	Right of use assets £000	Total £000
<b>Cost</b>				
At 1 January 2022	21	3,993	12,467	73,827
Additions	-	215	196	4,387
Transfers intra group	-	-	-	1,220
Disposals	-	-	-	(2,122)
Transfers between classes	-	40	-	-
Reclassified to held for sale	-	(543)	(850)	(12,971)
At 31 December 2022	21	3,705	11,813	64,341
<b>Depreciation</b>				
At 1 January 2022	21	3,046	3,942	48,882
Charge for the year	-	235	1,193	6,368
Transfers intra group	-	-	-	781
Disposals	-	-	-	(2,001)
Reclassified to held for sale	-	(101)	(668)	(9,852)
At 31 December 2022	21	3,180	4,467	44,178
<b>Net book value</b>				
At 31 December 2022	-	525	7,346	20,163
At 31 December 2021	-	947	8,525	24,945

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 16. Tangible fixed assets (continued)

Included in the cost of land and buildings is freehold land of £1,560,000 (2021 - £1,560,000) which is not depreciated.

During the year £774,000 was reclassified from plant and machinery to assets under construction to represent the opening values of assets under construction as at 1 January 2022.

#### Right-of-use assets

The net book value and depreciation charge for the right-of-use assets by class of underlying asset is as follows:

	2022 £000	2021 £000
<b>Net book value</b>		
Land and buildings	6,793	7,940
Plant, machinery and motor vehicles	553	585
	<u>7,346</u>	<u>8,525</u>
	2022 £000	2021 £000
<b>Depreciation charge</b>		
Land and buildings	(970)	(1,230)
Plant, machinery and motor vehicles	(223)	(270)
	<u>(1,193)</u>	<u>(1,500)</u>

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 17. Fixed asset investments

#### Subsidiary undertakings

The following was a subsidiary undertaking of the Company, held at £Nil value:

Name	Registered office	Ordinary share capital held
Merlin Pensions Trustees Limited	Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, England, PE11 3ZN	100%

Merlin Pensions Trustees Limited was dissolved on 4 January 2022.

### 18. Deferred taxation

	2022 £000
At beginning of year	2,617
Credited to statement of comprehensive income	673
<b>At end of year</b>	<b>3,290</b>

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Decelerated capital allowances	3,240	2,526
Provisions and pensions	50	62
Tax losses carried forward	-	29
	<b>3,290</b>	<b>2,617</b>

Deferred tax is provided where there is reasonable certainty over the recovery of the asset, with regard to future taxable profits. It is expected that there will be sufficient trading profits in the Company in the foreseeable future, against which the deferred tax assets will be utilised.

At the end of the financial year, the Company has disallowed interest of £2,531,000 (2021 - £10,891,000) available for relief in a future period. No deferred tax asset has been recognised in respect of this relief.

At the end of the financial year, the company has tax losses of £5,580,000 (2021 - £5,580,000) available for relief in a future period. No deferred tax asset has been recognised in respect of this relief.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 19. Assets classified as held for sale

The Coveris group acquired Coveris Speciality Bags Limited (formerly Initial Packaging Solutions Limited), which is based in Widnes, in March 2021, with the aim of providing synergies to the Hartlepool reporting site, which was part of Coveris Flexibles (Gainsborough) UK Limited, and to provide a larger, more focused business in the market segments that both the sites trade in, indeed many of the customers were shared between the Hartlepool and Widnes sites. Therefore, with effect from 1 January 2023, the trade and net assets for the Hartlepool site have been transferred from Coveris Flexibles (Gainsborough) UK Limited to Coveris Speciality Bags Limited (formerly Initial Packaging Solutions Limited), the net assets were transferred and paid for at book values as laid out below.

Given that the Hartlepool site represents a significant line of business and a separate standalone manufacturing site the criteria detailed in note 2.16 for assets held for sale and disposal groups is met and the assets have been classified and presented as held for sale.

	<b>2022</b> <b>£000</b>
Tangible fixed assets	3,119
Stocks	1,563
Trade and other receivables	1,915
Cash	333
<b>Assets held for sale</b>	<b>6,930</b>
Trade and other payables	(6,427)
Provisions	(320)
<b>Liabilities held for sale</b>	<b>(6,747)</b>
<b>Net assets held for sale</b>	<b>183</b>

### 20. Stocks

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
Raw materials and consumables	6,515	7,499
Work in progress	795	912
Finished goods and goods for resale	3,886	4,668
	<b>11,196</b>	<b>13,079</b>

There is no material difference between the replacement cost of stocks and the amounts stated above.

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of slow-moving and obsolete stock was £117,000 (2021 - £221,000).

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 21. Debtors: amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	7,731	14,944
Amounts owed by group undertakings	1,203	445
Other debtors	341	200
Prepayments and accrued income	280	357
Tax recoverable	123	129
	<u>9,678</u>	<u>16,075</u>

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of expected credit losses on trade debtors was £13,000 (2021 - £18,000).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

### 22. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	<u>2,087</u>	<u>2,674</u>

At the year end, in addition to the above amount, the Company held £967,000 (2021 - £Nil) on behalf of the factor in Company bank accounts as part of the factoring arrangement, however, these have been derecognised as the Company is acting as an agent in collecting these monies on behalf of the factor.

As of 31 December 2022, the company was subject to a floating charge, created on 26 October 2022, over the nominated bank account for customer receipts which has been pledged to the non-recourse debt factor. In the opinion of the Directors no loss is expected to arise as a result of the security being granted. A copy of this security is filed at Companies House and can be accessed at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk).

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 23. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Bank loans	-	5,268
Trade creditors	4,587	4,775
Amounts owed to group undertakings	3,772	13,459
Other taxation and social security	3,826	3,376
Lease liabilities (note 25)	968	934
Other creditors	176	106
Accruals and deferred income	3,662	3,539
	<b>16,991</b>	<b>31,457</b>

The bank loan was repaid in full during the year.

The lease liabilities relate to a combination of right of use assets and as such these are secured against these fixed assets of the Company and accrue interest at fixed rates, and also sale and leaseback assets which are secured against certain fixed assets of the Company and accrued interest at variable rates.

Included within lease liabilities is £87,000 (2021 - £Nil) of assets secured under sale and leaseback borrowing arrangements.

Amounts owed to group undertakings includes £2,148,000 (2021 - £11,259,000) of cash pool balances and as such this element of amounts owed to group undertakings are secured and accrue interest at variable rates. The remaining balances due to group undertakings are unsecured, interest free and repayable on demand.



**Notes to the Financial Statements  
For the Year Ended 31 December 2022**

**24. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Lease liabilities (note 25)	<b>7,102</b>	7,643
Amounts owed to group undertakings	<b>15,684</b>	11,184
	<b>22,786</b>	18,827

The lease liabilities relate to a combination of right of use assets and as such these are secured against these fixed assets of the Company and accrue interest at fixed rates, and also sale and leaseback assets which are secured against certain fixed assets of the Company and accrued interest at variable rates.

Included within lease liabilities is £297,000 (2021 - £Nil) of assets secured under sale and leaseback borrowing arrangements. Included within lease liabilities is £3,483,000 (2021 - £4,400,000)

Included within lease liabilities are £3,483,000 (2021 - £4,400,000) which are due in more than 5 years.

Amounts owed to group undertakings relate to a loan balance due to the ultimate parent company, Coveris S.A., which totalled £15.7m (2021 - £11.2m) and attracted variable interest at a rate of 4% (2021 - 4%). The repayment profile is for the principal sum of £15.7m to be repaid in November 2029 with the interest being payable monthly.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 25. Leases

The total cash outflow for leases in 2022 was £1,437,000 (2021 - £1,201,000).

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
<b>Carrying amounts of the lease liabilities and the movements:</b>			
At 1 January 2021	8,669	168	8,837
Additions	-	598	598
Interest expense	318	25	343
Lease payments	(994)	(207)	(1,201)
<b>Lease liability as at 31 December 2021</b>	<b>7,993</b>	<b>584</b>	<b>8,577</b>
Additions	-	1,119	1,119
Interest expense	277	48	325
Lease payments	(1,030)	(407)	(1,437)
Reclassified to held for sale	(97)	(417)	(514)
<b>Lease liability as at 31 December 2022</b>	<b>7,143</b>	<b>927</b>	<b>8,070</b>

Included within lease additions is £449,000 (2021 - £Nil) of liabilities secured against assets under a sale and leaseback arrangements.

	2022 £000	2021 £000
<b>Of which are:</b>		
Current lease liabilities	968	934
Non-current lease liabilities	7,102	7,643
<b>As at 31 December</b>	<b>8,070</b>	<b>8,577</b>

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 26. Provisions

	Dilapidation provision £000
At 1 January 2022	820
Reclassified to held for sale	(320)
<b>At 31 December 2022</b>	<b>500</b>

Leasehold dilapidations relate to the estimated cost of returning the leasehold properties to their original state at the end of the leases in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements within the right-of-use asset class over the remaining term of the leases. The main uncertainty relates to estimating the cost that will be incurred at the end of the leases and it is the judgement of the Directors that there is no indication that the estimate above requires to be altered at the year end date.

### 27. Share capital

	2022 £000	2021 £000
<b>Allotted, called up and fully paid</b>		
3 (2021 - 3) Ordinary shares of £1.00 each	-	-

Ordinary shares have attached to them full voting, dividend and capital distribution rights, including on a winding up. They do not confer any rights of redemption.

### 28. Reserves

The Company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of the shares issued.

#### Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

#### Merger reserve

When the trading assets of an entity are transferred between companies wholly under common control any excess of the fair value of consideration paid over the net assets acquired is recognised in reserves, rather than as goodwill, under the merger accounting principles.

#### Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 29. Capital commitments

At 31 December 2022 the Company had capital commitments as follows:

	2022 £000	2021 £000
Contracted but not provided for in the financial statements	479	201

### 30. Pension commitments

#### Defined contribution schemes

The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the fund and amounted to £854,000 (2021 - £796,000).

The amounts outstanding at the year end, included within other creditors, were £148,000 (2021 - £98,000).

#### Defined benefit schemes

The Company operates a Defined Benefit Pension Scheme.

The Company operates a Defined Benefit Pension Scheme, which provides pension benefits to certain employees based on final pensionable pay (the 'scheme'). The assets are held separately from those of the Company, being invested with insurance companies.

As at 1 November 1998, the existing scheme members were transferred into the Group defined contribution scheme. The scheme is closed to future benefit accrual and there are only deferred pensioners and current pensioners. Contributions of £311,000 were paid to the scheme in the year under consideration. This scheme will continue as a closed fund. An actuarial valuation of the scheme by an independent qualified actuary was last carried out as at 31 March 2020 with the next actuarial valuation due to be completed on 31 March 2023.

Future funding commitments to the scheme by the Company are £Nil.

The terms of the scheme dictate the ownership of any surplus left after settlement of all pension liabilities. Under these terms, the Company does not have an unconditional right to return of the surplus and it is therefore de-recognised at each reporting date with movements shown in other comprehensive income.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 30. Pension commitments

Movements in the present value of defined benefit obligations are as follows:

	2022 £000	2021 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	18,215	19,818
Interest cost	322	242
Actuarial gains	(5,642)	(992)
Benefits paid	(694)	(853)
<b>At the end of the year</b>	<b>12,201</b>	<b>18,215</b>

The assets in the scheme were:

	2022 £000	2021 £000
<b>Composition of plan assets</b>		
Cash	852	504
LGIM Buyout Aware Funds	845	24,013
Insured annuity policies	12,182	-
<b>Total plan assets</b>	<b>13,879</b>	<b>24,517</b>
	<b>2022 £000</b>	<b>2021 £000</b>
Fair value of plan assets	13,879	24,517
Present value of plan liabilities	(12,201)	(18,215)
Provision for surplus not recognised	(1,678)	(6,302)
<b>Net pension scheme asset</b>	<b>-</b>	<b>-</b>

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Administrative expenses	(435)	(294)
Net interest income on pension	112	75
Recharged to other group subsidiary undertakings	323	219
<b>Total amounts recognised in profit or loss</b>	<b>-</b>	<b>-</b>

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 30. Pension commitments (continued)

	2022 £000	2021 £000
Actual return less interest income included in net interest income	(10,254)	(888)
Changes in assumptions underlying the present value of the scheme liabilities	5,642	992
Effects of changes in the unrecoverable surplus	4,624	(508)
<b>Total amounts recognised in other comprehensive income</b>	<b>12</b>	<b>(404)</b>

Movement in fair value of scheme assets were as follows:

	2022 £000	2021 £000
<b>Reconciliation of fair value of plan assets</b>		
Opening fair value of scheme assets	24,517	25,612
Interest on assets	434	317
Return on assets less interest	(10,254)	(888)
Company contributions	311	623
Benefits paid	(694)	(853)
Administrative costs	(435)	(294)
<b>At the end of the year</b>	<b>13,879</b>	<b>24,517</b>

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2022 %	2021 %
Inflation assumption (RPI)	3.45	3.60
Inflation assumption (CPI)	3.00	3.15
Discount rate	4.80	1.80
Rate of increase in pensions in payment (where appropriate)	3.30	3.40
Mortality rates		
- for a male aged 65 now	22	22
- at 65 for a male aged 45 now	23	23
- for a female aged 65 now	24	24
- at 65 for a female member aged 45 now	26	26

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics, which translate into an average life expectancy in years for a pensioner retiring at age 65.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 30. Pension commitments (continued)

	2022	2021
<b>Difference between the expected and actual return on scheme assets</b>		
Amount (£000)	10,254	888
Percentage of scheme assets	73.88%	3.62%
<b>Experience gains and losses on scheme liabilities</b>		
Amount (£000)	(5,642)	(992)
Percentage of the present value of the scheme liabilities	(46.24%)	(5.45%)

With effect from 23 November 2022 the Trustee of the Defined Benefit Pension Scheme entered a buy-in policy with Aviva in respect of all Scheme members. At the inception date of the policy the Trustee paid 98% of the premium to Aviva totalling £14.8m. The remaining 2% of the premium will be paid as a final balancing payment once data verification has been completed by Aviva.

As the buy-in policy is an investment in the name of the Trustee, the purchase of the buy-in policy has been treated as an investment loss. This is based on our understanding of IAS19 and in particular paragraph 112.

The value of the buy-in policy as at 31 December 2022 was calculated as £12,182,000 in-line with the IAS19 assumptions at 31 December 2022 as set out below. This is based on our understanding of how IAS19 requires buy-in policies, which exactly match the amount and timing of the benefits covered by the policy, to be valued.

As the final balancing premium was still outstanding at the balance sheet date this was treated as a deduction from the total plan assets of £300,000.

Due to the above buy-in actions and the remaining cash (£852,000) and LGIM Buyout Aware Funds (£845,000) held within the total plan assets, there are not expected to be any future funding commitments to the scheme by the Company.

The decision to purchase the buy-in policy is an investment decision by the Trustee. Via its sponsorship of the Defined Benefit Pension Scheme the Company is now exposed to insurer covenant risk. However, as the benefits are now secured with an insurer, the Company is no longer exposed to interest rate, inflation and mortality risk.

### 31. Events after the reporting period

Post year-end the Coveris UK group of companies have performed a hive across, effective 1 January 2023, whereby the trade and net assets of the Hartlepool operational site within Coveris Flexibles (Gainsborough) UK Limited has been transferred to Coveris Speciality Bags Limited (formerly Initial Packaging Solutions Limited) the net assets were transferred and paid for at book values as laid out in note 19. Therefore, having met the criteria as required by IFRS 5, the Hartlepool operational site has been shown as discontinued operations in the Statement of Comprehensive Income and the assets as held for sale in the Statement of Financial Position. There have been no other significant events affecting the Company since the year end.

# Coveris Flexibles (Gainsborough) UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 32. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Coveris Flexibles Holdings UK Limited, a company incorporated in England and Wales and registered at Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, PE11 3ZN.

The ultimate parent undertaking and controlling party of the Company is a private equity investment fund, Sun Capital Partners V, L.P., an affiliate of Sun Capital Partners Inc.

The largest and smallest company to consolidate the results and financial position of the Company is that headed by Coveris S.A. These consolidated financial statements are available from [www.lbr.lu](http://www.lbr.lu).