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**Avery Dennison U.K. Limited**

**Annual Report**

**Registration # 00780606**

**Financial Year Ended 31 December 2020**



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## DIRECTORS AND OTHER INFORMATION

### Board of Directors at 1 November 2021

H Van Gijn (Netherlands)  
M Collins (Ireland)  
C Johnson (United States) (resigned 13 July 2020)

### Solicitors

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

### Registered office

7 Albemarle Street  
London W1S 4HQ

### Bankers

Citibank  
336 The Strand  
London WC2R 1HB

**Registered Number:** 780606

JP Morgan Chase Bank N.A.  
Via A. Cateña 4  
20121 Milan  
Italy

### Auditors

PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
One Spencer Dock  
North Wall Quay  
Dublin  
Republic of Ireland

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## DIRECTORS' REPORT

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

### Business review and principal activities

During the year the principal activity of the company was the sale of fasteners.

Revenue for the year amounts to £5,238,000 (2019: £6,224,000). The results for the company show a pre-tax profit of £399,000 compared to a pre-tax profit of £796,000 in the prior year. The reduction in profitability during the year is due to lower activity in the second half of the year due to the coronavirus pandemic. The net assets at the balance sheet date amounted to £10,245,000 (2019: £10,196,000).

### Results for the year

The profit for the financial year amounted to £396,000 (2019: £727,000).

### Dividends

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

### Future developments

The company operates in a competitive business environment and the directors work closely with other Avery Dennison group companies to monitor the various trends in the fasteners business and ensure their manufacturing and operational capabilities evolve to meet the demands of the market.

### Research and development

The company did not engage in any research and development activity during the year.

### Directors and their interests

The individuals who are currently or were directors at any time during the year ended 31 December 2020 are set out below.

H van Gijn

M Collins

C Johnson (resigned 13 July 2020)

### Going concern

The company generated a lower profit for the year of £396,000 compared to prior year (2019 profit: £727,000) and had net current liabilities of £18,242,000 (2019: £18,354,000) at year end. However, overall the company has net assets of £10,245,000 (2019: £10,196,000) at year end. On this basis and considering the financial strength and liquidity of the subsidiary undertakings of the Company, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying value amounts and classification of assets and liabilities that may arise if the company was unable to continue as a going concern.

### Impact of Brexit

Avery Dennison Europe as a group has worked to ensure Brexit has minimal impact of the company's trading between the UK and European countries. The business anticipates delays in supply to both customers and from suppliers, therefore contingency stocks will be held so service is not impacted.

### Covid-19

The Covid-19 coronavirus pandemic could impact the company's employees and customers. The severity and duration of the economic impact of the measures enacted by governments is still uncertain at the time of publication of the financial statements. The company continues to manage the impact of this crisis, however, the duration and final impact is still uncertain.

## DIRECTORS' REPORT

### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material disclosures and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

### Political donations and political expenditure

The company made no political donations or did not incur any political expenditure in 2020 (2019: £Nil).

### Disclosure of information to the auditor

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

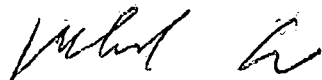
- (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish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

### Independent auditors

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

### Post balance sheet events

Refer to note 22 for details of post balance sheet events.



By order of the board  
M Collins  
Director

1 November 2021



# ***Independent auditors' report to the members of Avery Dennison U.K. Limited***

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

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### **Opinion**

In our opinion, Avery Dennison U.K. Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

- the statement of financial position as at 31 December 2020;
  - the income statement and statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended; and
  - the notes to the financial statements, which include a description of the significant accounting policies.
- 

### **Basis for opinion**

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

#### *Independence*

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

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

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

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

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

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

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### **Reporting on other information**

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



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

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

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

#### *Directors' Report*

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

#### *Use of this report*

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

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## **Other required reporting**

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### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

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### **Entitlement to exemptions**

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

*Claire Doyle*

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

**INCOME STATEMENT**

For the financial year ended 31 December 2020

	Notes	2020 £'000	2019 Restated £'000
<b>Revenue</b>	4	5,238	6,224
Cost of sales		(3,058)	(3,565)
<b>Gross profit</b>		2,180	2,659
Distribution costs		(393)	(467)
Administration expenses		(1,381)	(1,484)
<b>Operating profit</b>	5	406	708
Finance (costs)/income	7	(7)	88
<b>Profit before income tax</b>		399	796
Income tax expense	8	(3)	(69)
<b>Profit for the financial year</b>		396	727

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

The notes on pages 11 to 31 are an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

For the financial year ended 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 Restated £'000
<b>Profit for the financial year</b>		396	727
<b>Other comprehensive expense: Items that will not be reclassified to profit or loss:</b>			
Remeasurement of net defined benefit asset including asset ceiling	18	(347)	(507)
<b>Other comprehensive expense for the financial year, net of tax</b>		(347)	(507)
<b>Total comprehensive income for the financial year</b>		49	220

The notes on pages 11 to 31 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2020**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	9	83	112
Property, plant and equipment	10	76	114
Right of use assets	11	524	794
Investments in subsidiary	12	<u>28,059</u>	<u>28,059</u>
		<u>28,742</u>	<u>29,079</u>
<b>Current assets</b>			
Inventory	13	475	748
Trade and other receivables	14	1,331	1,969
Cash and cash equivalents		<u>49</u>	<u>51</u>
		<u>1,855</u>	<u>2,768</u>
<b>Creditors: Amounts falling due within one year</b>	15	(20,097)	(21,122)
<b>Net current liabilities</b>		<u>(18,242)</u>	<u>(18,354)</u>
<b>Total assets less current liabilities</b>		10,500	10,725
Creditors: amounts falling due after more than one year	16	(200)	(460)
Provisions for liabilities	17	<u>(55)</u>	<u>(69)</u>
<b>Net assets</b>		<u>10,245</u>	<u>10,196</u>
<b>Equity</b>			
Ordinary shares	19	725	725
Share premium	19	4,207	4,207
Capital contribution	19	850	850
Retained earnings	19	<u>4,463</u>	<u>4,414</u>
<b>Total equity</b>		<u>10,245</u>	<u>10,196</u>

The notes on pages 11 to 31 are an integral part of these financial statements.

The financial statements on pages 8 to 31 were authorised for issue by the board of directors on 1 November 2021 and were signed on its behalf by:

  
M. Collins  
Director  
Avery Dennison U.K. Limited

Registered no: 780606

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

	Ordinary shares £'000	Share premium £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
<b>Balance at</b>					
<b>1 January 2019</b>	725	4,207	850	4,194	9,976
Profit for the financial year - restated	-	-	-	727	727
Other comprehensive expense for the financial year - restated	-	-	-	(507)	(507)
Total comprehensive income for the financial year	-	-	-	220	220
<b>Balance at</b>					
<b>31 December 2019</b>	<u>725</u>	<u>4,207</u>	<u>850</u>	<u>4,414</u>	<u>10,196</u>
<b>Balance at</b>					
<b>1 January 2020</b>	725	4,207	850	4,414	10,196
Profit for the financial year	-	-	-	396	396
Other comprehensive expense for the financial year	-	-	-	(347)	(347)
Total comprehensive income for the financial year	-	-	-	49	49
<b>Balance at</b>					
<b>31 December 2020</b>	<u>725</u>	<u>4,207</u>	<u>850</u>	<u>4,463</u>	<u>10,245</u>

The notes on pages 11 to 31 are an integral part of these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Avery Dennison U.K. Limited ("the company") is involved in the sale of fasteners. Avery Dennison U.K. Limited is a company limited by shares, incorporated and domiciled in the United Kingdom. The company's registered office is 7 Albemarle Street, London W1S 4HQ, United Kingdom.

The immediate parent company is Avery Dennison Holding Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking and ultimate controlling party is Avery Dennison Corporation, which is a company incorporated in the United States of America.

The company is a wholly owned subsidiary of Avery Dennison Holding Limited and of its ultimate parent, Avery Dennison Corporation. It is included in the consolidated financial statements of Avery Dennison Corporation which are publicly available. Therefore the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements:

#### 1.1 Statement of compliance

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

### 2 Summary of significant accounting policies

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

#### 2.1 Basis of preparation

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

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

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

- (i) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16, property, plant and equipment.
  - Paragraph 118 of IAS 38, intangible assets.
- (ii) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it classifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies – continued

#### 2.1 Basis of preparation - continued

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

#### 2.1.1 Going concern

The company generated a lower profit for the year of £396,000 compared to prior year (2019 profit: £727,000) and had net current liabilities of £18,242,000 (2019: £18,354,000) at year end. However, overall the company has net assets of £10,245,000 (2019: £10,196,000) at year end. On this basis and considering the financial strength and liquidity of the subsidiary undertakings of the Company, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying value, amounts and classification of assets and liabilities that may arise if the company was unable to continue as a going concern.

#### 2.2 Foreign currency translation

##### (a) Functional and presentation currency

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

##### (b) Transactions and balances

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

#### 2.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	10% - 20%
Plant and machinery	7-33%
Furniture, fittings and equipment	7-33%
Data processing, telephone equipment and office equipment	7-33%

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies - continued

#### 2.3 Property, plant and equipment - continued

The assets residual values and useful lives are reviewed and adjusted, if appropriate at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administration expenses' in the income statement.

#### 2.4 Intangible assets

##### *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed ten years.

Software in progress is not amortised.

#### 2.5 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

#### 2.6 Financial assets

##### 2.6.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

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## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies - continued

#### 2.6.1 Classification - continued

##### (b) *Loans and receivables*

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

#### 2.6.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

#### 2.7 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

#### 2.8 Impairment of financial assets

##### *Assets carried at amortised cost*

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### 2.9 Derivative financial instruments and hedging activities

The company has not applied hedge accounting and has no derivatives.

#### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on an average cost basis and includes transport and handling costs. The cost of finished goods and goods in transit comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective stock.

#### 2.11 Trade and other receivables

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

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

#### 2.12 Cash and cash equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies - continued

#### 2.13 Share capital

Ordinary shares are classified as equity.

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

#### 2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

#### 2.15 Current and deferred income tax

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.16 Employee benefits

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies - continued

#### 2.16 Employee benefits - continued

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

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

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

Because of the nature of the information available to the Avery Dennison UK entities it is not possible to obtain sufficient information to enable each participating employer to account for the plan as a defined benefit plan. Accordingly Avery Dennison UK Limited, the legal sponsoring employer, accounts for the plan as a defined benefit plan while each of the other participating employers account for the pension scheme as a defined contribution scheme. The defined benefit plan is now closed to future entrants and future accrual with effect from 31 December 2011. From this date the defined contribution scheme was offered to members. It is envisaged that the Scheme will carry on as a closed scheme. The split of contributions to the defined benefit scheme by participating employers is based on the split of employees on the date of closing to future entrants and future accrual.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and 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 benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related pension liability. A defined benefit pension asset is recognised where an unconditional right to future economic benefits will accrue to the entity and / or its fellow subsidiary undertakings who are participating employers. Any constructive or legal obligations relating to commitments in respect of minimum funding requirements may also reduce defined benefit assets or increase defined benefit obligations at the reporting date.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income for the financial year in which they occur.

In the prior year the Company accounted for the defined benefit scheme as a defined contribution scheme. As the legal sponsoring employer the company is now accounting for the defined benefit arrangement and the other participating employers continue to account for the arrangement on a defined contribution basis. The 2019 comparatives have been restated and this resulted in a decrease to administrative expenses of £200,000, an increase in finance income of £307,000 and an increase in other comprehensive expense of £507,000 for 2019. There was no impact to the opening 2019 balance sheet amounts previously recognised.

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

##### *Short term employee benefits*

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies - continued

#### 2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when goods (fasteners) have been transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement

##### *Sales of goods – wholesale and retail*

The company manufactures and sells a range of fastener products. Sales of goods are recognised when the company has delivered products to the wholesaler or customer. Wholesaler have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler or customer, and either the wholesaler or customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied. The fastener products are often sold with volume discounts, and customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with the market practice

#### 2.18 Interest income

Interest income is recognised using the effective interest method.

#### 2.19 Dividend income

Dividend income is recognised when the right to receive payment is established.

#### 2.20 Leases

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2 Summary of significant accounting policies – continued

#### 2.20 Leases - continued

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

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

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

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

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

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

#### 2.21 Dividend distribution

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

#### 2.22 Provisions

Provisions for dilapidation of premises are recognised the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions have not been recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

#### 2.23 New and amended standards adopted by the company

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

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## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

##### *Accounting for Avery Dennison UK Defined benefit plan*

There are a number of significant judgements in respect of the Avery Dennison UK defined benefit plan and they are largely in respect of (i) recording of the defined benefit pension plan and (ii) the non recognition of the pension asset.

##### *(i) Recording of the defined benefit pension plan*

The structure of this plan is deemed to be a defined benefit plan that shares risks between entities under common control. The company has concluded that the structure of the plan does not enable it to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis as a result of an increased weighting of the scheme towards deferred members combined with the cumulative effect of restructuring within the UK group over a number of years. Because of the nature of the information available to the Avery Dennison UK entities it is not possible to obtain sufficient information to enable each participating employer to account for the plan as a defined benefit plan. Accordingly Avery Dennison UK Limited, the legal sponsoring employer, accounts for the plan as a defined benefit plan while each of the other participating employers account for the pension scheme as a defined contribution scheme.

##### *(ii) Non recognition of pension asset*

As disclosed in note 18 the valuation report at year end (and for the two comparative years) shows a surplus in the defined pension scheme. The pension surplus has not being recognised as an asset as there is no unconditional right for the participating employers to future economic benefits. Future economic benefits would arise in the form of (a) reduction in future contributions, (b) refund to the participating employers or (c) access to assets upon the wind up of pension fund. It has been determined that no unconditional right to future economic benefits exist as (i) the scheme is closed and hence no reduction in future contributions is possible, (ii) there is no unconditional right to a refund of a surplus and (iii) there are restrictions on receipt of surplus assets on wind up of the pension fund.

#### (b) Critical accounting estimates and assumptions

##### *Accounting for the pension assets and obligations*

The calculation of the cost of these pension benefits and the present value of the defined benefit obligation incorporate a number of estimates and assumptions, including; life expectancy, salary increases, inflation and the discount rate. The pension scheme assets are measured at fair value at the end of each financial year. The assumptions and estimates used in calculating the cost for the financial year, the defined benefit obligation and the fair value of the scheme assets at the end of each financial year reflect historical experience and current trends. See note 18 for the disclosures relating to the defined benefit pension scheme.

##### *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 2.3 for the useful economic lives for each class of assets.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3 Critical accounting estimates and judgements - continued

#### (c) Critical accounting estimates and assumptions – continued

##### *Inventory provisioning*

The company designs, manufactures and sells fasteners subject changing consumer demands and developments. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 13 for the net carrying amount of the inventory and associated provision.

##### *Impairment of trade receivables*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables, historical experience and collection experience post year-end. See note 14 for the net carrying amount of the receivables and associated impairment provision.

##### *Carrying value of investment in subsidiaries*

Management determined the carrying value of the investments in subsidiaries by assessing the potential future cash flows arising from these subsidiaries together with the realisable value of the assets in these undertakings. Should the assumptions used in this assessment change significantly then this could impact on the future profitability and financial position of the entity. Refer to note 12 for Investment in subsidiaries.

### 4 Revenue

Revenue, which excludes value added tax, other sales related taxes and trade discounts, represents sales of goods and services at invoiced value. The directors consider that there is only one main activity, being the sale of fasteners, and no analysis of revenue by category is appropriate.

	2020 £'000	2019 £'000
The geographical analysis of revenue by destination is as follows:		
United Kingdom	623	917
Northern Africa	84	69
Europe	4,286	5,180
Other	143	15
Africa	69	38
Middle East	33	5
	<u>5,238</u>	<u>6,224</u>

### 5 Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Wages and salaries	918	982
Social security costs	131	144
Other pension costs (note 18)	200	200
Staff costs	<u>1,249</u>	<u>1,326</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

<b>5 Operating profit - continued</b>	2020	2019
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation (note 10)	38	39
Amortisation of software (note 9)	29	30
Audit fees payable to the company's auditor	12	27
Inventory recognised as an expense	2,597	3,104
Foreign exchange (gain)/loss	<u>(57)</u>	<u>(68)</u>
<b>6 Employees and directors</b>	2020	2019
	No.	No.
<b>Employees</b>		
The average monthly number of persons (including executive directors) employed during the year was:		
By activity:		
Selling and distribution	17	17
Administration	<u>11</u>	<u>11</u>
	<u>28</u>	<u>28</u>
<b>Directors:</b>		
Directors' remuneration for certain directors has been borne by another group company. The directors are also directors or officers of a number of the companies within the Avery Dennison Group. Their directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2020 or 31 December 2019.		
<b>7 Finance costs</b>	2020	2019
	£'000	Restated £'000
Interest payable on loans owed to group undertakings:		
- repayable within one year (finance cost)	131	176
Net interest income on defined benefit pension scheme (note 18)	(147)	(307)
Lease liabilities (Note 11)	23	43
Finance costs/(income)	<u>7</u>	<u>(88)</u>
<b>8 Income tax</b>	2020	2019
	£'000	£'000
<b>Tax expense included in profit or loss</b>		
Current tax:		
United Kingdom corporation tax on profit for the year	30	71
Adjustment in respect of prior years	(11)	(5)
Total current tax	<u>19</u>	<u>66</u>
Deferred tax:		
Origination and reversal of timing differences (note 17)	(16)	3
Total deferred tax (credit)/charge	<u>(16)</u>	<u>3</u>
<b>Tax charge on profit</b>	<u>3</u>	<u>69</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 8 Income tax

#### Factors affecting total tax charge for the year

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

	2020	2019
	£'000	Restated £'000
Profit before tax	<u>399</u>	<u>796</u>
Profit before tax multiplied by the standard rate of UK corporation tax applicable in the financial year of 19% (2019: 19%)	76	151
Effects of:		
Capital allowances claimed	(5)	(6)
Expenses not deductible for tax purposes	25	22
Movement in deferred tax	(17)	3
Other adjustments	(66)	(96)
Adjustments in respect of prior years	<u>(10)</u>	<u>(5)</u>
<b>Tax charge</b>	<u>3</u>	<u>69</u>

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. On 24 May 2021, new legislation was enacted which would increase the corporation tax rate to 25% with effect from 1 April 2023.

### 9 Intangible assets

	Software £'000
<b>At 31 December 2019</b>	
Cost	293
Accumulated amortisation	<u>(181)</u>
Net book value	<u>112</u>
<b>Financial year ended 31 December 2020</b>	
Opening carrying amount	112
Amortisation	<u>(29)</u>
Carrying amount	<u>83</u>
<b>At 31 December 2020</b>	
Cost	293
Accumulated amortisation	<u>(210)</u>
Net book value	<u>83</u>

The software intangible assets includes the company's inventory management system, which was created by an external development firm for the company.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

10 Property, plant and equipment	Leasehold improvements	Plant and machinery	Furniture, fittings and equipment	Data processing/ telephone equipment and office equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>As at 31 December 2019</b>					
Cost	706	314	607	22	1,649
Accumulated depreciation and impairment	(608)	(314)	(597)	(16)	(1,535)
Carrying amount	<u>98</u>	<u>-</u>	<u>10</u>	<u>6</u>	<u>114</u>
<b>Year ended</b>					
<b>31 December 2020</b>					
Opening carrying amount	98	-	10	6	114
Depreciation	(25)	-	(7)	(6)	(38)
Carrying amount	<u>73</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>76</u>
<b>As at 31 December 2020</b>					
Cost	706	314	607	22	1,649
Accumulated depreciation and impairment	(633)	(314)	(604)	(22)	1,573
Carrying amount	<u>73</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>76</u>

**11 Leases**

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

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

(i) Amounts recognised in the statement of financial position	31 December 2020	31 December 2019
	£'000	£'000
The balance sheet shows the following amounts relating to leases:		
<b>Right-of-use assets</b>		
Buildings	519	786
Vehicles	5	8
	<u>524</u>	<u>794</u>
<b>Lease liabilities</b>		
Current	(200)	(273)
Non-current	(261)	(460)
	<u>(461)</u>	<u>(733)</u>

Additions to the right-of-use assets during the 2020 financial year were €Nil, disposals €Nil and depreciation £270,000.

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## NOTES TO THE FINANCIAL STATEMENTS - continued

### 11 Leases - continued

(ii) Amounts recognised in the income statement	31 December 2020 £'000	31 December 2019 £'000
The income statement shows the following amounts relating to leases:		
<b>Depreciation charge of right-of-use assets</b>		
Buildings	267	260
Vehicles	3	3
	<u>270</u>	<u>263</u>
Interest expense (note 7)	<u>23</u>	<u>43</u>

The total cash outflow for leases in 2020 was £296,000 (2019: £296,000).

12 Investments in subsidiary	2020 £'000	2019 £'000
Shares in group undertaking	<u>28,059</u>	<u>28,059</u>

The investment as at 31 December 2020 and 31 December 2019 amounted to £28,059,256. The investment represents 100% ownership of the ordinary share capital of Avery Dennison Office Products Manufacturing U.K. Limited, a company incorporated in the United Kingdom whose principal activity was the manufacture of office products. The company no longer trades actively.

The registered office of Avery Dennison Office Products Manufacturing U.K. Limited is 7 Albemarle Street, London W1S 4HQ, United Kingdom.

13 Inventory	2020 £'000	2019 £'000
Finished goods	309	584
Goods in transit	166	164
	<u>475</u>	<u>748</u>

Inventory is composed of finished goods and goods for resale. There is no material difference between the carrying value of stock on hand at the balance sheet date and their replacement cost.

Inventories are stated after provisions for impairment of £121,784 (2019: £110,166).

**NOTES TO THE FINANCIAL STATEMENTS - continued**

<b>14 Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	725	925
Amounts owed by group undertakings	479	859
Prepayments and accrued income	36	43
Value added tax	91	142
	<u>1,331</u>	<u>1,969</u>

Trade receivables of £ 23,274 (2019: £6,842) fall due after more than one year.

Amounts owed by group undertakings is £478,917 (2019: £859,350) which is unsecured, non-interest bearing, have no fixed date of repayment and is repayable on demand.

Trade receivables are stated after provisions for impairment of £51,764 (2019: £13,519).

<b>15 Creditors: Amounts falling due within one year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	204	242
Amounts owed to group undertakings	19,392	20,257
Corporation tax	30	71
Lease liabilities (note 11)	261	273
Accruals and deferred income	210	279
	<u>20,097</u>	<u>21,122</u>

Included in amounts owed to group undertakings is £6,797,557 (2019: £7,062,806) which is unsecured, non-interest bearing, have no fixed date of repayment and is repayable on demand. The remaining balance of £12,594,790 (2019: £13,193,891) is unsecured, interest bearing and is repayable within three months. Interest rates are set by the Avery Dennison Corporate Treasury Department.

Trade and other creditors are payable at various dates in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms.

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

<b>16 Creditors: amounts due after more than one year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Lease liabilities (note 11)	<u>200</u>	<u>460</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 17 Provisions for liabilities

	Deferred tax liability £'000	Dilapidation provision £'000	Total £'000
The company had the following provisions during the year:			
At 1 January 2020	12	57	69
(Credit)/charge to the income statement	(16)	2	(14)
At 31 December 2020	<u>(4)</u>	<u>59</u>	<u>55</u>

This dilapidation provision is for a potential terminal dilapidation liability on the premises at Wooburn Green.

#### Deferred tax

2020 £'000	2019 £'000
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The provision for deferred tax liability consists of the following deferred tax liabilities:

The amount of the deferred tax liability is as follows:

At 1 January – liability	(12)	(9)
(Charged)/credited to the income statement	16	(3)
At 31 December - asset	<u>4</u>	<u>(12)</u>

Tax effect of timing differences because of:

- Short-term timing differences	(6)	3
Accelerated capital allowances	10	(15)
Total deferred tax asset/liability	<u>4</u>	<u>(12)</u>

#### Deferred tax

Deferred tax liabilities to be recovered after more than twelve months	(6)	9
Deferred tax liabilities to be recovered within twelve months	10	3
Deferred tax assets	<u>4</u>	<u>12</u>

### 18 Post-employment benefits

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

Contributions paid to the defined contribution scheme plan for the year amounted to £Nil. Contributions made to the defined benefit scheme during the year amounted to £200,000 for this company (2019: £200,000). Amounts payable into this scheme at year end amounted to £Nil (2019: £Nil). This represents the full annual contributions to the scheme for this company. Refer to note 3 for assumptions in respect of the asset ceiling.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 18 Post-employment benefits -continued

An allowance has been made for GMP utilisation in relation to transfers paid out from the plan prior to October 2018 following a high court ruling on 20 November 2020.

	2020 £'000	2019 Restated £'000
<b>Income Statement:</b>		
Net interest income on defined benefit pension scheme	147	307
<b>Statement of Comprehensive Income:</b>		
Remeasurement of net defined benefit asset including asset ceiling	(347)	(507)
Total loss to retained earnings	<u>(200)</u>	<u>(200)</u>

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

	2020 £'000	2019 £'000
Present value of scheme liabilities	(154,794)	(138,790)
Fair value of scheme assets	<u>155,338</u>	<u>145,848</u>
Pension asset	<u>544</u>	<u>7,058</u>
Impact of asset ceiling	<u>(544)</u>	<u>(7,058)</u>
Net defined benefit pension asset/(liability)	<u>-</u>	<u>-</u>

Expected contributions for the defined benefit plan for the year ended 31 December 2021 are £1,860,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Post-employment benefits continued

The movement in the group scheme assets and liabilities for the year:

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

In July 2021 the Company together with the other participating employers agreed to provide additional contributions of £1,500,000 a year for 5 years to the defined benefit pension scheme. These contributions are to enhance the assets of the scheme to ensure that its commitments can be met into the future.

All of the scheme's liabilities above are from schemes that are wholly funded.

	2020	2019
The principal actuarial assumptions used were as follows:		
Discount rate	1.42%	2.5%
RPI inflation	3.00%	3.00%
CPI inflation	2.30%	2.30%
Deferred pension revaluation	2.30%	2.30%
Pension increase – RPI max 5%	2.90%	2.90%
Pension increase – RPI max 2.5%	2.00%	2.00%

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 18 Post-employment benefits continued

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	2020 Male	2020 Female	2019 Male	2019 Female
Retiring today (member age 65)	22.0	23.9	22.0	23.9
Retiring in future (male 45, female 56)	<u>23.6</u>	<u>25.7</u>	<u>23.7</u>	<u>25.7</u>

	2 January 2021 £'000	28 December 2019 £'000
The assets of the scheme were:		
Cash and cash equivalents	504	578
Equity investment fund	38,488	28,755
Fixed income investment fund	108,907	108,822
UK Real Estate investment fund	7,439	7,693
	<u>155,338</u>	<u>145,848</u>

The table below gives an indication of the impact of a change in the key actuarial assumptions. The impact on the scheme's liabilities at 31 December 2020 is on the basis that only that assumption is changed with all other assumptions remaining unchanged.

Assumptions	Change in assumption	Scheme's liabilities £'000
Discount rate	increase of 0.25%	147,200
	decrease of 0.25%	162,940
Inflation rate	increase of 0.25%	160,671
	decrease of 0.25%	149,297
Mortality	Increase in life expectancy of 1 year	161,280

The average age of pensioners in the defined benefit scheme is 74.1 years and the average age of deferred pensioner is 55 years.

As disclosed above the valuation report at year end (and for the two comparative years) shows a surplus in the defined pension scheme. The accounting standards require the preparation of the defined benefit valuation report on the assumptions which represent the best estimate of uncertain outcomes. As required by the pension scheme trust deed and regulatory requirements a triannual valuation for the trustee has been finalised subsequent to the year end. The assumptions used in the preparation of this valuation report use the prudence method and hence would provide a more conservative estimate of the defined benefit obligations. The completion of the triannual valuation resulted in the participating employers committing to providing additional funding to the defined benefit pension scheme post year end as disclosed above.

## NOTES TO THE FINANCIAL STATEMENTS - continued

<b>19 Share capital and reserves</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>1,000,000 Ordinary shares of £1 each</b>		
<b>Authorised</b>		
At 31 December	<u>1,000</u>	<u>1,000</u>
<b>725,100 Ordinary shares of £1 each</b>		
<b>Allotted and fully paid</b>		
At 1 January	725	725
Issued during the year	<u>-</u>	<u>-</u>
At 31 December	<u>725</u>	<u>725</u>

A description of each reserve within equity is outlined below:

### **Retained earnings**

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

### **Share premium**

Share premium account represents accumulated amounts received by the company for shares issued above the par value for each share.

### **Capital contribution**

The capital contribution account was created as a result of the contribution in prior years by Avery Dennison Holding Limited, the company's parent undertaking, to Avery Dennison U.K. Limited of the entire share capital of Avery Dennison Office Products Manufacturing U.K. Limited.

## **20 Capital and other commitments**

The company has outstanding guarantees due to HM Customs & Excise to the value of £456,000 (2019: £150,000).

## **21 Controlling parties**

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

The immediate parent company is Avery Dennison Holding Limited, a company incorporated in the United Kingdom.

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

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## NOTES TO THE FINANCIAL STATEMENTS - continued

### 22 Post balance sheet events

The success of the Covid-19 vaccination campaign across the UK and most western economies has enabled much of the economic activities which were suspended due to onset of the pandemic to recommence. The current plans across the country and most western economies is to finish the vaccination roll out with the aim of lifting all economic and social restrictions as soon as practicable. The achievement of these objectives will be dependent on the success of the vaccination campaign and whether or not new variants emerged. Even if the pandemic eases relatively quickly then there could be significant economic dislocation and opportunities post pandemic such as a higher inflationary environment, impact of higher government debt levels, impact of winding down of government business supports, impact of larger parts of the workforce working remotely on a permanent basis and a potential consumer boom from pent up demand and higher savings level among certain segments of the population. Therefore there is significant uncertainty in the macroeconomic environment as to whether or not the pandemic will end relatively quickly or not and even if it should the post pandemic climate will bring opportunities and challenges.

In July 2021 the Company agreed to provide additional contributions to the defined benefit pension scheme. Refer to note 18.

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

### 23 Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 1 November 2021 and were signed on its behalf on that date.