

Company Registration No. 08541340 (England and Wales)

WZ PACKAGING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020



WZ PACKAGING LIMITED

COMPANY INFORMATION

Director	Jan Hurban
Company number	08541340
Registered office	Halesfield 18 Telford Shropshire TF7 4JS England
Auditor	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham West Midlands B2 5AF

WZ PACKAGING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents the strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is the processing and sale of aluminium packaging materials.

Fair review of the business

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the end of 2020. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

We consider our key performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover and EBITDA.

The main focus of the company is the conversion of aluminium based packaging materials, for confectionery and dairy markets as well as cosmetics and industrial purposes. WZ Packaging (WZP) is well known in the packaging industry for its excellence and innovative packaging solutions. As a result, WZP has received customer awards in previous years as a best supplier by several customers.

WZP continued to manage lean cost structure and improving the productivity while accommodating the growing business opportunities and customer demand. 2020 was obviously impacted by the two major events. Firstly Covid-19 global pandemic outbreak and secondly the end of the Brexit transition period. As a result, we have not been able to fully avoid the impact of the global suppressed demand and experienced small (5%) decline in our revenues. In the 4th quarter of 2020, we recorded growth of more than 9% compared to the same 4th quarter in 2019. On the other hand, with a very pro-active approach we have managed to improve our gross margin (by 2 percentage points) as well as the EBITDA despite these challenging circumstances. We have been successful in further business development activities and awarded with new business around the globe, which sets us up to a continue our growth trajectory for the next few years ahead. During 2020 we have been able to invest in a new slitting machine, dedicated to a new successful and growing range of products.

Besides the commercial success we have also been able to refinance our business and finalised the leaseback transaction allowing us to release more cash to grow the working capital while reducing the financing costs.

Management continues to be committed to quality and ensure compliance with international standards in quality management ISO9001 and hygiene standard BRC for food packaging materials. We have been also re-certified for FSC (sustainably sourced paper) accreditation during 2020.

Principal risks and uncertainties

Industry dynamics such as competition and regulatory and political changes (such as Covid-19 and Brexit) represent key business uncertainties. We have put in place all measures to minimise impact of any Brexit alternative possible. We believe the client diversification, close relationship with customers and the early understanding of industry and regulatory changes will continue to provide interesting business opportunities for our innovations and future growth.

Risk assessment has been carried out on the counterparty for the investment loan, including type of investment, purpose and use of the funding provided, as well as regular updates and assessments with the counterparty on their investment and financial performance. Furthermore all possible securities have been obtained and filed in the commercial register, including shares of the business.

WZ PACKAGING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Covid-19

In 2020 and 2021 WZ Packaging have been closely monitoring the newly developed situation of the global Covid-19 pandemic. We have been regularly assessing the risk and implementing mitigating measures in various areas.

The nature of our business, being packaging manufacturer for the food industry, means that we are considered as a critical industry including all our supply chain. As such and despite the marginal slowdown of the demand in the peak pandemic time, we have been able to supply our customers without interruption and with only a limited impact on our business.

Outcome of our Operational risk assessment was to intensify the sourcing of our raw materials and increase the production to build up the stock of finished goods for our customers in order to be able to accommodate for any unexpected interruptions. This along with the diversified supply chain, investment in safety stock and strict hygiene procedures are the key preventive measures.

From a liquidity point of view the company sourced additional liquidity by way of a sale and leaseback transaction of the property occupied to be able to accommodate operating measures such as increasing stock levels and any other further contingencies.

The management is reviewing and monitoring all the customers as a major source of the credit risk and implemented stronger credit control where required. Overall, the management believe there is very little credit risk by the nature of the portfolio of our customers, comprising mainly of global internationals.

We are committed to keep reassessing regularly our exposure various risks from Covid-19 as well as other risk factors and opportunities to our business such as post-Brexit situation or changes in the regulatory environment or global trade.

Future developments

Ongoing product and business development activities remain a key focus area of our business (both domestic and overseas), including unique innovative environmentally sustainable packaging options for our clients. We also continue our productivity initiatives to further optimise the cost based and our operating margins in 2021 as well as some new machinery investments accommodating the expected growth in 2021.

On behalf of the board



Jan Hurban
Director

Date: 2/6/2021

WZ PACKAGING LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents his annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of the processing and sale of aluminium products.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Jan Hurban

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Strategic report

Information as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 including future developments and principal risks and uncertainties has been included in the Strategic Report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make their self aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Jan Hurban
Director

Date: 3/01/2021

WZ PACKAGING LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The director is responsible for preparing the Strategic Report and the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WZ PACKAGING LIMITED

Opinion

We have audited the financial statements of WZ Packaging Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the 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;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained in the annual report. 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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WZ PACKAGING LIMITED (CONTINUED)

Matters on which we are required to report by exception

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 and the director's report.

We have nothing to report in respect of the following matters where 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 4, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WZ PACKAGING LIMITED (CONTINUED)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to compliance with health and safety legislation and employment law. We performed audit procedures to inquire of management and those charged with governance, as well as substantive testing, to confirm whether the company is in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 her 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.

RSM UK Audit LLP

Ian Wall (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

West Midlands, B2 5AF

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3 June 2021

WZ PACKAGING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	8,658,377	9,138,222
Cost of sales		(7,540,045)	(8,151,159)
Gross profit		1,118,332	987,063
Administrative expenses		(1,838,270)	(1,669,241)
Other operating income		88,662	2,708
Profit on sale of tangible asset		1,593,060	-
Operating profit/(loss)	6	961,784	(679,470)
Interest receivable and similar income	7	270,789	-
Interest payable and similar expenses	8	(282,765)	(309,437)
Profit/(loss) before taxation		949,808	(988,907)
Tax on profit/(loss)	9	142,504	96,712
Profit/(loss) for the financial year		1,092,312	(892,195)

WZ PACKAGING LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	10	3,679,045		6,420,426	
Investments	11	7,408		7,408	
		<u>3,686,453</u>		<u>6,427,834</u>	
Current assets					
Stocks	13	2,593,128		2,241,439	
Debtors falling due after more than one year	14	1,876,288		-	
Debtors falling due within one year	14	1,765,800		1,306,270	
Cash at bank and in hand		439,714		302,292	
		<u>6,674,930</u>		<u>3,850,001</u>	
Creditors: amounts falling due within one year	15	<u>(2,959,027)</u>		<u>(4,027,323)</u>	
Net current assets/(liabilities)		3,715,903		(177,322)	
Total assets less current liabilities		<u>7,402,356</u>		<u>6,250,512</u>	
Creditors: amounts falling due after more than one year	16	(974,898)		(915,366)	
Net assets		<u>6,427,458</u>		<u>5,335,146</u>	
Capital and reserves					
Called up share capital	19		1		1
Revaluation reserve	20		-		361,392
Profit and loss reserves	20		6,427,457		4,973,753
Total equity			<u>6,427,458</u>		<u>5,335,146</u>

The financial statements were approved and signed by the director and authorised for issue on 3/1/2021


 Jan Hurban
 Director

WZ PACKAGING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2019	1	361,392	3,496,280	3,857,673
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(892,195)	(892,195)
Capital contribution	-	-	2,369,668	2,369,668
Balance at 31 December 2019	1	361,392	4,973,753	5,335,146
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	1,092,312	1,092,312
Transfers	-	(361,392)	361,392	-
Balance at 31 December 2020	1	-	6,427,457	6,427,458

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

WZ Packaging Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Halesfield 18, Telford, Shropshire, England, TF7 4JS.

The company's principal activities and nature of its operations are disclosed in the Director's Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosure exemption

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of WZ Packaging ApS. These consolidated financial statements are available from its registered office, c/o Harbour House Sundkrogsgade 21, 2100 København Ø.

The Company has taken advantage of the exemption in section 402 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

The Company's business activities, together with the factors likely to affect its future developments, its financial position, financial risk management objectives and its exposure to liquidity, credit, interest and currency risk are described in the Strategic Report.

The Company has remained operational and traded through the Covid-19 pandemic. There has been sustained demand for the Company's products. As a result, production and delivery to its customers has continued and trading performance has been satisfactory.

In undertaking the going concern assessment, financial forecasts have been prepared setting out in detail the extent and diversity of the Company's revenues and expected margins; the levels of committed cash outflows; and takes account of the current available liquidity of the Company. In making this assessment, the ability of the Company to take mitigating actions have also been considered. These forecasts were made after considering the current market disruption caused by the current Covid-19 pandemic.

At 31 December 2020 the Company had cash reserves of £439,714 and the Company has repaid its short term borrowings. It also undertook a sale and leaseback transaction on its freehold property, the proceeds of which were largely used to make strategic investments.

Taking these matters into consideration, the Company forecasts sufficient cash headroom for the forecast period.

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on delivery of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2.5-3.3% straight line, land is not depreciated
Other machinery and assets under construction	5-33% straight line
Motor vehicles	33% straight line
Other property, plant and equipment	10% straight line

Freehold land and assets in the course of construction are not depreciated.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost, being transaction price less any amounts settled and the cumulative amortisation (using the effective interest method) of any difference between the amount at initial recognition and the maturity amount. The effective interest rate is the rate that discounts estimated future cash payments to the carrying amount of the financial liability.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Financing transactions

In accounting for financing transactions management are required to apply judgement when considering the market rate of interest for a similar instrument in order to discount the present value of future payments. See note 16.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	8,658,377	9,138,222
	<u>8,658,377</u>	<u>9,138,222</u>
	2020	2019
	£	£
Other revenue		
Interest income	270,789	-
Grants receivable	88,662	2,708
	<u>369,451</u>	<u>2,708</u>
	2020	2019
	£	£
Turnover analysed by geographical market		
UK	4,686,352	4,789,751
Overseas	3,972,025	4,348,471
	<u>8,658,377</u>	<u>9,138,222</u>

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

4 Employees

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

	2020 Number	2019 Number
Production	50	59
Administration and support	15	16
	<u>65</u>	<u>75</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,032,950	2,100,665
Social security costs	200,431	212,471
Pension costs	43,054	47,381
	<u>2,276,435</u>	<u>2,360,517</u>

5 Director's remuneration

	2020 £	2019 £
Remuneration for qualifying services	178,659	164,714
Company pension contributions to defined contribution schemes	4,459	4,247
	<u>183,118</u>	<u>168,961</u>

6 Operating profit/(loss)

	2020 £	2019 £
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(65,475)	4,798
Government grants	(88,662)	(2,708)
Fees payable to the company's auditor for the audit of the company's financial statements	25,000	21,000
Depreciation of owned tangible fixed assets	442,018	444,192
Operating lease charges	<u>227,243</u>	<u>76,804</u>

Income of £4,178 (2019: £458,408) was received as a result of an insurance claim for a laminator fire (2019: for a print machine fire).

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Interest receivable and similar income

	2020	2019
	£	£
Other income from Investments		
Interest receivable	270,789	-
	<u>270,789</u>	<u>-</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	223,233	249,938
Other interest on financial liabilities	59,532	59,499
	<u>282,765</u>	<u>309,437</u>

Other interest on financial liabilities relates to the unwind of discounting on the shareholder loan (see note 16).

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	(142,504)	(96,712)
	<u>(142,504)</u>	<u>(96,712)</u>

The total tax credit for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2020	2019
	£	£
Profit/(loss) before taxation	949,808	(988,907)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	180,464	(187,892)
Research and development tax credit	(142,504)	(96,712)
Tax losses not recognised as a deferred tax asset	(180,464)	187,892
Taxation credit for the year	<u>(142,504)</u>	<u>(96,712)</u>

In the Spring Budget 2020, the 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. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

A deferred tax asset of £987,177 (2019: £629,656) has not been recognised in the company on the grounds of uncertainty over the timing and level of recovery.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Tangible fixed assets

	Freehold land and buildings	Other machinery and assets under construction	Motor vehicles	Other property, plant and equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2020	2,318,940	4,786,290	83,265	1,554,200	8,742,695
Additions	-	52,829	4,750	-	57,579
Disposals	(2,318,940)	(287,358)	(8,000)	-	(2,614,298)
At 31 December 2020	-	4,551,761	80,015	1,554,200	6,185,976
Depreciation and impairment					
At 1 January 2020	168,144	1,018,286	83,265	1,052,574	2,322,269
Depreciation charged in the year	20,101	280,161	1,319	140,437	442,018
Eliminated in respect of disposals	(188,245)	(61,111)	(8,000)	-	(257,356)
At 31 December 2020	-	1,237,336	76,584	1,193,011	2,506,931
Carrying amount					
At 31 December 2020	-	3,314,425	3,431	361,189	3,679,045
At 31 December 2019	2,150,796	3,768,004	-	501,626	6,420,426

On transition to FRS 102 the company's freehold land and buildings were revalued by an independent valuer and the valuation treated as deemed cost. Had this class of asset been measured on a historical cost basis, the carrying amount would have been £nil (2019: £1,759,295).

Included in freehold land and buildings is land of £nil (2019: £880,000) which is not depreciated.

In June 2020, WZ Packaging sold its property at Halesfield 18 as part of a sale and leaseback transaction with Paloma Capital. The property with a net book value of £2,150,796 at 31 December 2019 was sold for proceeds of £3,950,000. WZ Packaging have entered into an agreement to leaseback the property for a lease term of 15 years (see note 21).

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	12	7,408	7,408
Movements in fixed asset investments			
			Shares in group undertakings £
Cost or valuation			
At 1 January 2020 & 31 December 2020			7,408
Carrying amount			
At 31 December 2020			7,408
At 31 December 2019			7,408

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Incitat Trade Limited	191123, St Petersburg, Street Potesemkinskaya, house 7, Litera A, room 12-N, Russia	Processing and sale of aluminium products	Ordinary	99.90	-

Incitat Trade Limited did not trade during the year. WZ Packaging have not prepared consolidated financial statements on this basis.

13 Stocks

	2020 £	2019 £
Raw materials and consumables	1,973,083	1,616,141
Work in progress	124,725	107,351
Finished goods and goods for resale	495,320	517,947
	<u>2,593,128</u>	<u>2,241,439</u>

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	1,005,525	841,793
Corporation tax recoverable	142,427	96,712
Other debtors	4,178	156,871
Prepayments and accrued income	613,670	210,894
	<u>1,765,800</u>	<u>1,306,270</u>
Amounts falling due after more than one year:		
Other debtors	<u>1,876,288</u>	-
Total debtors	<u><u>3,642,088</u></u>	<u><u>1,306,270</u></u>

Other debtors due after more than one year relate to a loan to a third party. This loan is repayable on 15 July 2023.

15 Creditors: amounts falling due within one year

	2020	2019
Notes	£	£
Bank loans and overdrafts	-	1,096,731
Trade creditors	1,474,943	1,896,895
Taxation and social security	573,293	79,516
Other creditors	532,318	611,622
Accruals and deferred income	378,473	342,559
	<u>2,959,027</u>	<u>4,027,323</u>

Other creditors relate to a loan from the company's ultimate shareholder.

16 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Other creditors	<u>974,898</u>	<u>915,366</u>

Other creditors relate to a loan from the company's ultimate shareholder. The loan is interest free and repayable in 2060. As such the total future cash flows of £12,104,000 (2019: £12,104,000) have been discounted to their present value.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Borrowings

	2020	2019
	£	£
Bank loans	-	1,096,731
Payable within one year	-	1,096,731

Bank loans were repayable on demand and accrued interest at an average rate of 11.5% APR. Bank loans were secured by a fixed charge over freehold property and a floating charge over other assets.

18 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	43,054	47,381

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2020	2019
	£	£
Ordinary share capital Issued and fully paid 1 Ordinary of £1 each	1	1

The company has one class of ordinary shares which have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

WZ PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss. During the year, the revaluation reserve has been transferred to the profit and loss account as a result of the sale of property to which it relates.

Profit and loss account

Cumulative profit and loss net of distributions to owners.

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	307,845	64,710
Between one and five years	1,720,834	16,178
In over five years	2,975,000	-
	<u>5,003,679</u>	<u>80,888</u>

Sale and leaseback

In June 2020, WZ Packaging sold its property at Halesfield 18 as part of a sale and leaseback transaction with Paloma Capital (see note 10). WZ Packaging have entered into an agreement to leaseback the property for a lease term of 15 years with rent payable at £291,667 per annum until June 2022 and £350,000 per annum for the remainder of the lease.

22 Related party transactions

Included within short term creditors is a loan from the ultimate shareholder of £532,318 (2019: £611,022).

Included within long term creditors is a loan from the ultimate shareholder of £974,898 (2019: £915,366). The loan is interest free and repayable in 2060. As such the total future cash flows of £12,104,000 (2019: £12,104,000) have been discounted to their present value. Effective interest is included within note 8.

23 Ultimate controlling party

The company's immediate and ultimate parent is WZ Packaging ApS, incorporated in Denmark. The ultimate controlling party is Mr Z Wang due to his controlling interest in the issued share capital of WZ Packaging ApS.