

Protective Packaging Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 02312465



Protective Packaging Limited

Company Information

Directors	A Harding S P Jolly J H Law C G Lewis B C Lewis
Company secretary	J H Law
Registered number	02312465
Registered office	Dane Road Industrial Estate Dane Road Sale Cheshire M33 7BH
Independent auditor	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
Bankers	Royal Bank of Scotland 4 The Downs Altrincham WA14 2PY
Solicitors	Laytons 22 St John Street Manchester M3 4EB

Protective Packaging Limited

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Protective Packaging Limited

Strategic Report For the Year Ended 31 December 2019

The directors present the strategic report together with the audited financial statements for the year ended 31 December 2019.

Principal activity and business review

The principal activities of the company during the year remained that of the manufacture of protective packaging solutions.

Development of the business

The company's sales were split 52% domestic and 48% export with sales being made to 44 export markets during fiscal 2019. These statistics indicate that the company's goal of continuing to grow its global presence and increase its share of overseas markets is being realised in addition to the consolidation of its position as the UK's dominant company in its field and a leading player in Europe and beyond. The company continues to review its manufacturing techniques and material and product format mix with a view to achieving sales growth in industry sectors, specific applications and geographical regions that meet the sales strategies of the business. The company will continue to maximise the sales opportunities and associated margin levels for the unique elements of its product range. In every area of the business, we are stronger and more capable than ever due to the continuing success and further development of, the Buddy System linked to a more strategic recruitment policy.

Future outlook

It is the company's intention to remain a nimble business and maintain its responsiveness and industry-leading delivery times and thus deliver a further year of growth in Fiscal 2020. The directors are planning to be ready to exploit the opportunities associated with the global market and maintain and where possible enhance, their position as a worldwide leader in the provision of climatic packaging solutions across all market sectors and geographical locations. This will be achieved through a continued combination of direct sales and sales via a strategically developed network of exclusive and non-exclusive distributors and business partners and a more proactive and developed Customer Support driven up-selling initiative. The company will continue to work to the disciplines of its accreditation to ISO 9001:2015 and exploit the opportunities that will arise as a result. The company will implement further phases of its Visual Improvement Plan to allow continued and further alignment of its activities to the requirements of strategic target markets and industry sectors such as the pharmaceutical, healthcare, electronics and food sectors. Our global reach will be enhanced with a significant increase in our marketing activity and through a further updated and enhanced website and the utilisation of our linguistic skill sets. The company's commercial and operational platforms will be enhanced by the further development of management in both areas of the business to further support the fulfilment of the company's Fiscal 2020 growth aspirations. 2020 will see a continued emphasis being placed on the company's significant differentiators as we seek to develop new markets and where necessary, displace the indigenous supply base.

Principal risks and uncertainties

The principal risks and uncertainties that the company faces continue to relate mainly to our position as a global supplier and engaging in business in culturally differing markets. Our core strengths and extensive product offering will allow us to continue to mitigate the market uncertainties around the globe. 2020 will be a further year of generating continued Euro-zone customer confidence in the company's ability to be ready for business as usual as we exit the Brexit transition period on the 31st December, despite the final deal.

At the time of writing this strategic report, it is clear that the company's constantly reviewed, updated and issued Brexit plans, have had the desired effect of ensuring the maintenance of the relevant customer's confidence in our ability to supply in the post-Brexit marketplace.

Other potential risks include

Price risk: Economical, political and market conditions in supplier countries can affect the price we pay for raw materials. This can adversely affect our business but can also benefit the business.

Protective Packaging Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Credit risk: All our domestic and overseas debt is insured or based on advance payment, to minimise any bad debt exposure within the business.

Liquidity risk: Due to our financial results during these financial years and our strict credit, we are diligent in managing our cash flows.

Exchange risk: The uncertainty associated to currency exchange rates is largely obviated by the company's natural hedge mechanism related to an almost equitable split in overseas currency sales and purchases.

Financial/Cash flow risk: The company finances its operations through a mixture of cash flows and invoice financing. Daily cash positions are sent to the board for review. The management's objective is to retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due.

Post statement of financial position events

On the 31st January 2020 the World Health Organisation (WHO) announced a global health emergency in relation to the COVID-19 outbreak, on the 11th March 2020 the WHO classified the COVID-19 outbreak as a pandemic.

It is clear that whilst the COVID global pandemic has negatively affected some of our traditional market activity related to automotive, aerospace and aviation, the reduced business in these sectors has been hugely mitigated by our increased activity in sectors such as pharmaceutical, diagnostic and food and the company's robustness is clearly demonstrated by a much stronger Q4 performance in a COVID-affected trading year over and above the previous non-COVID affected year. Throughout the pandemic our priority has been the safety and wellbeing of our employees, risk assessments have been undertaken and measures put in place to ensure that we as a business can continue to operate in a safe environment. Management are actively monitoring the situations and taking actions where possible to ensure that the business can manage through any impact that it may face in the future.

Going concern

In preparing these financial statements, the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility, the directors have considered the company's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

Due to the current environment arising from the global pandemic, management have made an assessment of the likely impact of Covid-19 on the company based on the latest available information and Government guidance. This assessment has looked at the likely duration of the crisis as well as sales that could be expected to be generated during an extended period of restrictions.

The company continues to manufacture at its production facilities with no plans to stop production. To date, the company has not experienced any significant disruption from employee absence, its supply chain or its distribution networks and none is anticipated in the foreseeable future due to the fact that the company has significant current orders as at the date of signing these accounts as well as holding appropriate levels of stock.

In light of the potential unforeseen impacts of Covid-19, the directors have prepared what they consider to be a realistic forecast for the period to the end of December 2021. This indicates that even with a reduced turnover level for a period of 12 months from the date of signing these accounts, the company continues to generate cash. There are various cost saving measures that the directors could implement if the fall in revenue was worse than this.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Protective Packaging Limited

Strategic Report (continued)
For the Year Ended 31 December 2019

Financial key performance indicators

Financially we have exercised excellent controls with regard to stock and cash flow with stock turn, debtor days and creditor days all at appropriate levels. All expense lines remain under control. Our sales visits and the issued samples and quotes were all in line with our targets and our customer survey clearly indicates that we are regarded as an excellent supplier. Quality complaints are down in relation to the increased number of customers and sales generated.

Research and development

The company will continue to develop new materials, manufacturing techniques and packaging product formats to allow entry into new geographical markets, areas of application and industry sectors and continue to provide specialist product and equipment manufacturers with the climatic packaging solutions that they require. We will endeavour wherever possible to utilise smart features on our packaging to exploit the opportunities for intelligent packaging. The company will build upon its growing reputation as a developer of the most appropriate packaging solutions to meet the specific demands of the customer's needs and that of their products and routes to market. The company will continue to link its excellent technical acumen with that of its key material supply base to achieve this objective.

This report was approved by the board on 17th Dec 2020 and signed on its behalf.



S P Jolly
Director

Protective Packaging Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Matters included in the strategic report

The business review, financial risk assessment, assessment of principal risk and uncertainties, research and development, post balance sheet events and future developments are included within the strategic report.

Results and dividends

The profit for the year, after taxation, amounted to £647,904 (2018 - £1,518,678).

A dividend was declared and paid before the year end, amounting to £675,008 (2018 - £990,000).

Directors

The directors who served during the year were:

A Harding (appointed 11 November 2020)
S P Jolly
J H Law
C G Lewis
B C Lewis (appointed 1 January 2019)

Disclosure of information to auditor

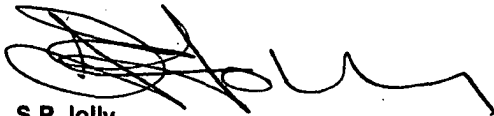
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Auditor

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

This report was approved by the board on 17th Dec 2020 and signed on its behalf.



S P Jolly
Director

Protective Packaging Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Protective Packaging Limited

Independent Auditor's Report to the Members of Protective Packaging Limited

Opinion

We have audited the financial statements of Protective Packaging Limited ("the company") for the year ended 31 December 2019 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 Financial Reporting Standard 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Protective Packaging Limited

Independent Auditor's Report to the Members of Protective Packaging Limited (continued)

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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 directors' report.

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

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

Protective Packaging Limited

Independent Auditor's Report to the Members of Protective Packaging Limited (continued)

Responsibilities of directors

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

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

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.

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

Use of our report

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

BDO LLP

Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

17/12/2020

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

Protective Packaging Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	11,705,509	12,042,647
Cost of sales		(5,455,319)	(5,419,601)
Gross profit		6,250,190	6,623,046
Administrative expenses		(5,475,038)	(4,690,284)
Operating profit	5	775,152	1,932,762
Interest receivable and similar income	8	194	164
Interest payable and similar charges	9	(37,008)	(52,025)
Profit before tax		738,338	1,880,901
Tax on profit	10	(90,434)	(362,223)
Profit for the financial year		647,904	1,518,678
Other comprehensive income		-	-
Total comprehensive income for the year		647,904	1,518,678

The notes on pages 12 to 26 form part of these financial statements.


Protective Packaging Limited
Registered number: 02312465

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	12		751,230		83,434
Current assets					
Stocks	13	964,086		715,523	
Debtors: amounts falling due within one year	14	5,113,665		4,837,798	
Cash at bank and in hand		11,102		551,211	
		<u>6,088,853</u>		<u>6,104,532</u>	
Creditors: amounts falling due within one year	15	(2,618,436)		(2,033,292)	
Net current assets			<u>3,470,417</u>		<u>4,071,240</u>
Total assets less current liabilities			<u>4,221,647</u>		<u>4,154,674</u>
Provisions for liabilities					
Deferred tax	16		(71,732)		-
Other provisions	17		(291,843)		(269,498)
Net assets			<u><u>3,858,072</u></u>		<u><u>3,885,176</u></u>
Capital and reserves					
Called up share capital	18		5,000		5,000
Profit and loss account	19		3,853,072		3,880,176
Total equity			<u><u>3,858,072</u></u>		<u><u>3,885,176</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

17th Dec 2020


S P Jolly
Director

The notes on pages 12 to 26 form part of these financial statements.

Protective Packaging Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	5,000	3,880,176	3,885,176
Comprehensive income for the year			
Profit for the year	-	647,904	647,904
Total comprehensive income for the year	-	647,904	647,904
Dividends: equity capital	-	(675,008)	(675,008)
Total transactions with owners	-	(675,008)	(675,008)
At 31 December 2019	5,000	3,853,072	3,858,072

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	5,000	3,351,498	3,356,498
Comprehensive income for the year			
Profit for the year	-	1,518,678	1,518,678
Total comprehensive income for the year	-	1,518,678	1,518,678
Dividends: equity capital	-	(990,000)	(990,000)
Total transactions with owners	-	(990,000)	(990,000)
At 31 December 2018	5,000	3,880,176	3,885,176

The notes on pages 12 to 26 form part of these financial statements.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Protective Packaging Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Betronics Limited as at 31 December 2019 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Going concern

In preparing these financial statements, the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility, the directors have considered the company's ability to meet its liabilities as they fall due for a period of at least twelve months from the signing date of the financial statements.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern (continued)

Due to the current environment arising from the global pandemic, management have made an assessment of the likely impact of Covid-19 on the company based on the latest available information and Government guidance. This assessment has looked at the likely duration of the crisis as well as sales that could be expected to be generated during an extended period of restrictions.

The company continues to manufacture at its production facilities with no plans to stop production. To date, the company has not experienced any significant disruption from employee absence, its supply chain or its distribution networks and none is anticipated in the foreseeable future due to the fact that the company has significant current orders as at the date of signing these accounts as well as holding appropriate levels of stock.

In light of the potential unforeseen impacts of Covid-19, the directors have prepared what they consider to be a realistic forecast for the period to the end of December 2021. This indicates that even with a reduced turnover level for a period of 12 months from the date of signing these accounts, the company continues to generate cash. There are various cost saving measures that the Directors could implement if the fall in revenue was worse than this.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets

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

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following bases:

Leasehold property improvements	- 10% reducing balance
Motor vehicles	- 25% reducing balance
Equipment, fixtures and fittings	- 10% reducing balance

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

During the year, the directors considered it appropriate to update the depreciation rate for equipment, fixtures and fittings from 25% to 10%. There is no material impact on the current or prior year financial statements.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 Stocks

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

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

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.12 Finance costs

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

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.14 Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of comprehensive income over the shorter of estimated useful economic life and the term of the lease.

2.15 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.17 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.18 Provisions for liabilities

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

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.19 Current and deferred taxation

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

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

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

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

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

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

The directors have made no material judgements but have made estimates in preparing these financial statements:

Other key sources of estimation uncertainty:

- Dilapidation provision (see note 17)

Management estimate and make a provision for costs that will be incurred in returning a leased property to the condition that it was in at the inception of the lease. The actual costs of the work that needs to be completed could vary from the estimates. The amount recognised is the estimated cost of dilapidations and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of dilapidations or dilapidations cost estimates are dealt with prospectively by recording an adjustment to the provision.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Turnover

The whole of the turnover is attributable to the sale of protective packaging.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,082,219	6,963,980
Rest of Europe	3,919,943	4,353,143
Rest of the world	1,703,347	725,524
	<u>11,705,509</u>	<u>12,042,647</u>

5. Operating profit

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

	2019 £	2018 £
Depreciation of tangible fixed assets	33,283	21,280
Exchange differences	135,448	(125,659)
Defined contribution pension cost	55,119	40,748
Operating lease costs - plant and machinery	44,803	16,771
Operating lease costs - land and buildings	144,000	144,688
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	15,000	16,657
Fees payable to the company's auditor and its associates in respect of other services relating to taxation	3,900	2,458
	<u>3,900</u>	<u>2,458</u>

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

6. Employees

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

	2019 £	2018 £
Wages and salaries	4,714,909	4,129,303
Social security costs	173,411	170,010
Cost of defined contribution scheme	55,119	40,748
	<u>4,943,439</u>	<u>4,340,061</u>

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

	2019 No.	2018 No.
Production staff	27	28
Administrative staff	37	37
Management staff	3	3
	<u>67</u>	<u>68</u>

Directors are deemed to be key management personnel.

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>3,172,144</u>	<u>2,471,179</u>

During the year retirement benefits were accruing to 1 director (2018 - Nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £2,879,828 (2018 - £2,307,625).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018 - £Nil).

8. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	<u>194</u>	<u>164</u>

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Interest payable and similar charges

	2019 £	2018 £
Invoice factoring fees	<u>37,008</u>	<u>52,025</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	19,309	362,508
Adjustments in respect of previous periods	(607)	(285)
Total current tax	<u>18,702</u>	<u>362,223</u>
Deferred tax		
Origination and reversal of timing differences	71,732	-
Total deferred tax	<u>71,732</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>90,434</u>	<u>362,223</u>

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>738,338</u>	<u>1,880,901</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	140,284	357,371
Effects of:		
Fixed asset differences	139	897
Expenses not deductible for tax purposes	2,210	1,191
Adjustment to tax charge in respect of previous periods	(607)	(1,693)
Adjust closing deferred tax to average rate	(8,439)	4,542
Adjust opening deferred tax to average rate	(4,542)	(4,073)
Deferred tax not recognised	(38,611)	3,988
Total tax charge for the year	<u><u>90,434</u></u>	<u><u>362,223</u></u>

Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. A further reduction to 17% for the year starting 1 April 2020 was announced at Budget 2016.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

11. Dividends

	2019 £	2018 £
Dividends paid on equity shares at £135 (2018 - £198) per share	<u>675,008</u>	<u>990,000</u>

Dividends are paid on ordinary equity shares only.

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets

	Leasehold property improve- ments £	Motor vehicles £	Equipment, fixtures and fittings £	Total £
Cost				
At 1 January 2019	85,003	8,235	1,231,757	1,324,995
Additions	-	-	698,699	698,699
At 31 December 2019	<u>85,003</u>	<u>8,235</u>	<u>1,930,456</u>	<u>2,023,694</u>
Depreciation				
At 1 January 2019	59,852	6,498	1,175,211	1,241,561
Charge for the year	2,515	-	30,768	33,283
Disposals	-	(2,380)	-	(2,380)
At 31 December 2019	<u>62,367</u>	<u>4,118</u>	<u>1,205,979</u>	<u>1,272,464</u>
Net book value				
At 31 December 2019	<u>22,636</u>	<u>4,117</u>	<u>724,477</u>	<u>751,230</u>
At 31 December 2018	<u>25,151</u>	<u>1,737</u>	<u>56,546</u>	<u>83,434</u>

13. Stocks

	2019 £	2018 £
Raw materials and consumables	856,850	630,694
Finished goods and goods for resale	107,236	84,829
	<u>964,086</u>	<u>715,523</u>

Stock recognised in cost of sales as an expense during the year was £4,489,427 (2018 - £4,552,033).

No impairment loss has been recognised in cost of sales against stock during the year or in the prior year due to slow-moving and obsolete stock.

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

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

14. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	1,302,809	1,815,748
Amounts owed by group undertakings	2,338,339	1,595,995
Amounts owed by related parties	981,815	863,622
Other debtors	71	1,236
Prepayments and accrued income	268,770	561,197
Corporation Tax	221,861	-
	<u>5,113,665</u>	<u>4,837,798</u>

Trade debtors of £1,270,232 (2018 - £1,767,801) were factored at the statement of financial position date and are included above as an outstanding trade balance due from the facility provider as the cash has not been received from them at the year end.

The impairment loss recognised in the company statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £6,966 (2018 - £1,317).

Amounts owed by group undertakings are interest free and due on demand.

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	720,350	585,398
Corporation tax	-	55,935
Other taxation and social security	235,813	251,801
Other creditors	1,484,631	994,463
Accruals and deferred income	162,976	145,695
Amounts owed to related parties	14,666	-
	<u>2,618,436</u>	<u>2,033,292</u>

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

16. Deferred taxation

	2019 £
At beginning of year	-
Charged to profit or loss	71,732
At end of year	71,732

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	122,438	-
Short term timing differences	(50,706)	-
	71,732	-

17. Provisions

	Dilapidations £
At 1 January 2019	269,498
Charged to profit or loss	22,345
At 31 December 2019	291,843

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid 5,000 ordinary shares of £1 each	5,000	5,000

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

19. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Profit and loss account

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

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £50,119 (2018 - £29,280). Contributions totalling £Nil (2018 - £Nil) were payable to the fund at the statement of financial position date.

21. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2019 £	Other 2019 £	Land and buildings 2018 £	Other 2018 £
Not later than 1 year	144,000	44,908	144,000	44,803
Later than 1 year and not later than 5 years	108,000	136,785	210,000	149,494
	<u>252,000</u>	<u>181,693</u>	<u>354,000</u>	<u>194,297</u>

Protective Packaging Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

22. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

The company paid consultancy fees of £111,328 (2018 - £51,650) to Boxburn Limited, a company in which J H Law is a director. At the year end the balance of £13,616 (2018 - £21,950) was due to Boxburn Limited.

The company paid consultancy fees of £4,200 (2018 - £Nil) to Edward Veeder LLP, a company in which J H Law is a partner. At the year end the balance of £1,050 (2018 - £Nil) was due to Edward Veeder LLP.

As at 31 December 2019 the company owed £1,484,631 (2019 - £1,029,807) to C G Lewis a director of the company. The amount is included in other creditors.

The company is also related to 3D Barrier Bags, Inc. a company under common control. During the year the company made sales of £561,567 (2018 - £635,230) to 3D Barrier Bags and advanced monies to 3D Barrier Bags of £Nil (2018 - £Nil). At the year end £981,815 (2018 - £769,967) was owed by 3D Barrier Bags. This is included in debtors amounts owed by related parties.

23. Ultimate parent company and controlling party

The company is controlled by Betronics Limited.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Betronics Limited. Consolidated accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

In the opinion of the directors this is the company's ultimate parent company.

Betronics Limited is ultimately controlled by C G Lewis.