

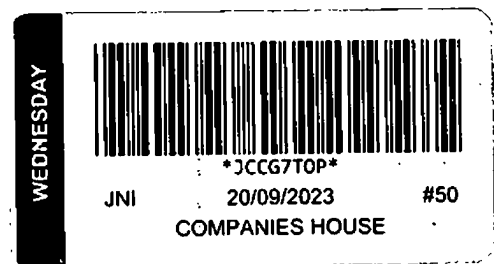
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Encirc Limited

Registered No. NI030990

Annual report and financial statements
31 December 2022



ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

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ENCIRC LIMITED

COMPANY INFORMATION

DIRECTORS

A Curry
C Delclaux Zulueta
J Schmitt Zalbide
R Gomez Merino
P De Andrade Guerra (resigned 8 June 2022)
S Murphy
J Fernandez De Mendia (appointed 9 June 2022)
O Moya Segado (appointed 9 June 2022)

SECRETARY

S Murphy

REGISTERED OFFICE

11 Gortahurk Road
Tonymore
Enniskillen
BT92 9DD

REGISTERED NUMBER

NI 030990

AUDITORS

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

BANKERS

HSBC
Ulster Bank
Barclays

SOLICITORS

Pinsent Masons
3 Hardman Street
Manchester
M3 3AU

STRATEGIC REPORT
for the year ended 31 December 2022

The directors present their strategic report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activities during the year were the manufacture of container glass and contract filling.

KEY PERFORMANCE INDICATORS (KPIs)

Significant progress continued to be made during the year on the company's overriding objectives. The board monitors progress on the overall group strategy and the individual strategic elements by reference to KPIs.

	2022	2021
Sales revenue (£'m)	444.7	360.2
Gross margin	10.5%	20.6%

On a constant currency basis, sales increased by 23.5% (2021: 7.3%), driven by the pass through of higher energy and commodity costs incurred from mid 2021 and throughout 2022. The company engaged with its customer base to find solutions to pass through the inflationary costs, whilst at the same time incurring significant levels of cost and margin erosion.

Gross margin is the ratio of gross profit to revenue expressed as a percentage. On a comparable basis the gross margin declined from 20.6% to 10.5%. The movement from the prior year is primarily due to the inflation in energy costs which continued through 2022, exacerbated by the conflict between Ukraine and Russia, with both natural gas and electricity costs reaching unprecedented levels.

Whilst the company had hedged energy positions in place to mitigate such risk, such was the hyper inflation observed and continuance of high pricing in energy markets that operating margins were adversely affected. The company anticipate margins will restore to historical levels as energy markets settle and contract renewal dates and negotiations are closed.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from national competitors, business interruption & product liability, employee recruitment and retention, and financial risk. Measures are in place to mitigate these risks where possible.

COMPETITION

The company operates in a highly competitive market, particularly around price and product availability, which results in fluctuations in our margins. In order to mitigate this risk, our sales team monitors market prices on an ongoing basis. Furthermore, we undertake routine market research to understand our customers' expectations to ensure their needs are being met.

BUSINESS INTERRUPTION AND PRODUCT LIABILITY

The company maintains a risk register, identifying keys risks to the company, and has implemented actions to mitigate and reduce such risk. The company has also taken out insurance policies across the business, which are deemed appropriate for a company of its size.

STRATEGIC REPORT
for the year ended 31 December 2022 (Continued)

EMPLOYEE RECRUITMENT AND RETENTION

The company's performance depends largely on its employees. The growth of our business would not be possible without the skills, determination and experience of our people. The company also recognizes the value our employees add, and thus is committed to creating a stable and high-quality working environment for our employees. This is fundamental to attracting new talent to the business which will be of ever growing importance.

The ability or otherwise to recruit people with the right experience and skills from the local community and the resignation of key individuals could adversely impact the company's results. To mitigate these issues the company has implemented various reward and benefit schemes that are designed to retain employees.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include price, credit, liquidity and foreign exchange risk. The company has in place a risk management programme that seeks to limit adverse effects on its financial performance.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity and utility price risk as a result of its operations, in particular from the significant use of energy in its furnaces. In order to mitigate against this risk the company has a resource dedicated to energy/utility price management and engages the services of energy management consultants. Furthermore the company enters into fixed price contracts and certain financial instruments to manage commodity prices.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to limits, which are reassessed regularly by the board.

Foreign exchange risk

The operations of the company and its subsidiary are mainly in the UK and the Euro zone respectively and, as a result, it is primarily exposed to foreign exchange risk with respect to the Euro. As the company is part of an enlarged group of companies, which trades and is funded in Euro, the FX exposure is managed and mitigated within the group treasury function.

Liquidity risk

The company is funded primarily from cash generated from its own operations, but also avails of Group liquidity reserves if required.

Interest rate risk

The directors consider that, for the foreseeable future, the company has no significant exposure to interest rate risk.

STRATEGIC REPORT
for the year ended 31 December 2022 (Continued)

POST BALANCE SHEET EVENTS

On 31 January 2023, the company acquired the business and manufacturing assets of a contract packaging facility in Bristol, England known as The Park, from Accolade Wines Limited for a consideration price of £30 million. The acquisition was made to enhance the company's offering in the contract filling market and to align to the company's objective of delivering supply chain solutions to its current and future customer base.

The employees, customers and suppliers of The Park transferred over to Encirc Limited with effect from that date. The company is undertaking a Purchase Price Allocation to determine the net value of assets and goodwill acquired, but at the date of signing the financial statements, this exercise is not yet complete.

There have been no other post balance sheet events which require disclosure or changes to the results.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described above and in the Directors' Report. The directors believe that the cash resources of the company and financing facilities in place are more than adequate for the future needs of the company and that the company is well placed to manage its business risks successfully.

In making their assessment, the directors have specifically considered the continuance of higher energy commodity costs over historical levels, including modelling severe sensitivities that consider the risk of possible increases in costs and reductions in revenues and margins due to more adverse trading conditions, and these forecasts extend to over 12 months (to 30 June 2024) from the date of signing these financial statements.

The company's financial forecasts and sensitivities for the period to 30 June 2024 show the company is expected to continue to be cash generative taking account of the anticipated changes in trading performance, including those risks identified above, and the effects of mitigating actions taken or available to the company, and it will continue to operate within its facilities and meet its obligations as they fall due for the period to 30 June 2024. Consequently, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

STRATEGIC REPORT

for the year ended 31 December 2022 (Continued)

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 and forms the directors' statement required under section 414CZA of The Companies Act 2006.

Who? - Stakeholder group	Why?	How?	What?	Outcomes and actions
<p>Workforce We consider our workforce as the combination of directly employed employees and those contractors who work for us, or on our sites for periods in excess of 3 months per year.</p> <p>Metrics include:</p> <ul style="list-style-type: none"> • FTE's and productivity levels • total pay and reward • bonus performance metrics • employee engagement surveys • gender pay gap reporting • absence levels and staff turnover • health and well being 	<p>The company's long-term success is predicated on the commitment of our workforce to our purpose and values.</p> <p>To maintain our competitive advantage and meet the growing demands of the environment in which we operate, we need a workforce which is adaptive and whose skill base constantly evolves. We also value workers with long term practical experiences.</p>	<p>We engage with our workforce to ensure that we are fostering an environment that they are happy to work in and that best supports their well-being, and as a result our efficiency and productivity.</p> <p>We engage regularly with our workforce through various mediums:</p> <ul style="list-style-type: none"> • team briefings • written communication • audio and visual noticeboards • through our <i>Workplace from Facebook</i> social media platform • town hall presentations and webcasts 	<p>Our engagement includes</p> <ul style="list-style-type: none"> • business updates and company performance, with future outlooks • proposed changes and updates on working practices • health and safety performance metrics <p>To maintain our leading position in the industry and competitiveness, the company offers apprenticeships and support for continued learning, as well as focused and dedicated training for specific roles.</p> <p>The company has and continues to recognise the need for a focus on health and wellbeing.</p>	<p>Feedback from employees is taken on board and is used to promote and drive future direction for employee engagement.</p> <p>As part of improvements in health and wellbeing the company</p> <ul style="list-style-type: none"> • has implemented on-site gym facilities at Derrylin and Eton sites • has improved and upgraded canteen facilities and offerings at both production sites • promotes a coaching culture • through engagement with its employees has reduced working hours • improved safety measures in line with government issued guidance and best practice have been implemented across company sites.
<p>Customers Our customers include global brands who service the food and beverages industry.</p> <p>Metrics include:</p> <ul style="list-style-type: none"> • customer retention • new customers • customer satisfaction surveys 	<p>We put internal and external customer needs first, demonstrating a strong commitment to meet their expectations.</p>	<p>We work in partnership with our customers, add value wherever possible, seek feedback and share our vision for success.</p> <p>We adapt to the diverse needs of our customers in alignment with our organisational goals.</p>	<p>We anticipate the needs of our customers, stay ahead of trends and deliver a consistently high quality service.</p> <p>In conjunction with a number of customers and Glass Futures we successfully completed our bio-fuel trials demonstrating the possibility of low carbon glass manufacture.</p>	<p>We offer a unique service to our customers through our 360 offering:</p> <ul style="list-style-type: none"> • glass container manufacturing • contract filling services • bonded storage • direct to retail logistics • value added services

STRATEGIC REPORT
for the year ended 31 December 2022 (Continued)

Who? - Stakeholder group	Why?	How?	What?	Outcomes and actions
<p>Suppliers We have a broad range of suppliers who provide the raw materials or components that we use to create our products, as well as a number of service providers to contribute to the manufacturing and distribution process.</p> <p>Metrics include:</p> <ul style="list-style-type: none"> • payment terms • inventory days • delivery on time in full (OTIF) 	<p>Our suppliers are integral to what we do and to our ongoing success.</p> <p>We use a number of external providers for essential skills and services we require in order to operate our business</p>	<p>We work in partnership with our suppliers, building long, strong and sustainable relationships for mutual benefit.</p> <p>Whilst cost control is important, we place emphasis on quality, service and increasingly environmental impact</p>	<p>We operate within and to</p> <ul style="list-style-type: none"> • responsible procurement strategy • supplier code of conduct • agreed payment terms • performance • ethical standards and best practice <p>In times of change, such as Brexit or Covid 19, we engaged with our suppliers to ensure we manage the impacts collectively to ensure a smooth transition for all parties.</p>	<p>In assessing our existing and new suppliers, we consider:</p> <ul style="list-style-type: none"> • production capability • quality of their offering • performance • risk • sustainable work practices • environmental impact • ethical aspects <p>We have introduced our supplier finance programme, with preferred rates to assist our suppliers in their working capital management.</p>
<p>Environment & community We consider the local and global environment and communities in which we operate as one of our stakeholders.</p> <p>Metrics include:</p> <ul style="list-style-type: none"> • annual emissions in accordance with the UK ETS scheme • emissions compliance with local authorities • water consumption • CSR initiatives • local liaison committees 	<p>We know that having a sustainable business model has a direct impact on our social, environmental and economic standing.</p> <p>At Encirc, everything we do, from the way we make our products and provide our services, to the transportation methods we choose, to how we act as individuals, all links back to our 4 core pillars of responsible business: People, Place, Planet and Prosperity.</p>	<p>We will make effective use of resources, minimise wastage and promote safe and ethical working practices.</p> <p>We will role model sustainable processes and practices within our business and the wider industry we represent, sharing with and learning from our own employees, our suppliers, customers and the local community.</p>	<p>We will apply long-term sustainability thinking to the lifecycle of our employees, their wellbeing and the value of our products and practices, as well as being an active participant in our local communities. The company's Executive Team includes the role of Director of Sustainability to implement the long-term sustainable objectives of the company.</p> <p>In early 2021, the company successfully undertook a bio-fuel trial and used 100% recycled content to assess the possibility and viability of zero emissions glass production.</p>	<p>In addition to our 360 offering which reduces carbon by reduced road traffic movements, we have implemented a number of energy and carbon reducing measures:</p> <ul style="list-style-type: none"> • our Derrylin plant changed from heavy fuel oil to natural gas • construction of a railhead for inbound materials to reduce road traffic • waste heat recovery programmes • Implemented paperless offices <p>Details of our emissions reporting and energy efficient activities can be found on page 11.</p> <p>The company has announced plans to use Hydrogen powered furnaces as part of its ambitious plans to create the world's first net zero glass bottles at scale.</p>

STRATEGIC REPORT
for the year ended 31 December 2022 (Continued)

Who? - Stakeholder group	Why?	How?	What?	Outcomes and actions
<p>Investors and shareholders</p> <p>Whilst we are not directly listed on a stock exchange, we recognise our parent company Vidrala S.A. and its investors and shareholders as stakeholders.</p> <p>Key performance metrics include:</p> <ul style="list-style-type: none"> • revenue growth • EBITDA value and margin • free cash flow generation • capex expressed as % of sales 	<p>Access to capital and support of our parent company is of vital importance to the long-term success of our business.</p> <p>Through our engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we go about executing on them.</p> <p>We are seeking to promote an investor base that is interested in a long term holding in the company.</p> <p>Our ability to pay dividends is also important in Vidrala as part of their own dividend policy and treasury management activities.</p>	<p>We create value for our shareholders by generating strong and sustainable results.</p> <p>With the support and through our parent company, we partake and promote engagement through</p> <ul style="list-style-type: none"> • board meetings • AGM's • investor days 	<p>In addition to routine engagement with shareholders on topics of strategy, governance and performance, below are specific matters on which we engaged, and that influenced outcomes & actions.</p> <ul style="list-style-type: none"> • Transformation from heavy fuel oil to natural gas at the Derrylin site • Increased capacity at the Elion site to deliver the largest container glass furnace in the world • Delivering improved efficiencies and promoting greater Health & Safety • Consideration of dividends declared and paid. 	<p>Cost competitiveness and reduced carbon footprint</p> <p>In 2020, we completed construction of a world-first Industry 4.0-Ready glass production line</p> <p>Continuation of automation changes by implementing additional robotic processes.</p> <p>No dividends were paid during 2022. (2021 : £56.6m)</p> <p>The decision to pay dividends and the amounts is made after consideration of the distributable reserves and forecasts of future financial performance of the company.</p>

DIRECTORS' REPORT

for the year ended 31 December 2022

The directors present their report and audited financial statements for Encirc Limited (registration number NI030990) for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation amounted to £21.8m (2021: £39.4m).

During the year, the company did not pay any dividends (2021: £56.6m).

There have been no dividends paid subsequent to the balance sheet date. (2021: £nil)

FUTURE OUTLOOK

In the coming years, the directors plan to maximise the output from glass production, grow share of the contract filling market and hence grow both turnover and profitability.

DIRECTORS

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

A Curry
C Delclaux Zuleta
J Schmitt Zalbide
R Gomez Merino
P Guerra De Andrade (resigned 8 June 2022)
S Murphy
J Fernandez De Mendia (appointed 9 June 2022)
O Moya Segado (appointed 9 June 2022)

POLITICAL CONTRIBUTIONS

There were no contributions made by the company during the year for political purposes.

EMPLOYEE ENGAGEMENT

The company actively engages with its employees through recognized trade unions and/or employee forums by:

- regular updates on the company and business performance through metrics and KPI's with which employees are familiar with;
- promoting and encouraging employee involvement through a culture of continuous improvement;
- consultation with employees or their representatives, where working conditions, pay and reward are impacted;

Employee engagement and outcomes is discussed further in the section 172(1) statement included in the Strategic Report on page 6.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

DIRECTORS' REPORT

for the year ended 31 December 2022 (continued)

ENVIRONMENTAL

The company declares itself firmly committed to protecting the environment. With this objective in mind, the company implements specific action plans in relation to emissions to the atmosphere, waste disposal, the consumption of raw materials, energy, water and noise. Glass manufacturing is an inherently energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. Given the industrial nature of the process, one of management's objectives is to reduce the associated environmental impact. In order to achieve this, specific investments are made to upgrade factory facilities and adapt them to the most efficient technological systems for reducing environmental impacts. Additionally, operating priorities are focused on intensifying the growing use of recycled products as the main raw material for manufacturing glass.

Further details of our environmental commitment, and advancement towards environmental efficiency is documented in detail in the Annual Sustainability Report of our parent company, Vidrala S.A., which is published on the Vidrala website, as well as in the statement of non-financial information contained in the Management Report of the Consolidated Financial Statements of Vidrala Group.

SECR DISCLOSURES

The statement below has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. The breakdown of our emissions for the current reporting period, the previous reporting year, are shown in the table below (figures in the table are rounded to whole numbers):

GHG source	2022	2021 (restated)	2021 (previously reported)
Scope 1 Fuels (tCO ₂ e)	210,301	202,159	269,993
Scope 1 Vehicles fuels (tCO ₂ e)	3,372	2,964	2,964
Scope 1 Fugitive emissions (tCO ₂ e)	44	127	127
Scope 2 (Location-based) (tCO ₂ e)	45,896	48,893	48,893
Scope 2 (Market-based) (tCO ₂ e)	23,955	13,129	13,129
Scope 3 (Business travel) (tCO ₂ e)	313	143	143
Scope 3 (Waste) (tCO ₂ e)	693	4,483	
Scope 3 (Water) (tCO ₂ e)	159	146	
Total Scope 1 and 2 Emissions (Location-based)	259,613	254,143	320,977
Total Scope 1 and 2 Emissions (Market-based)	237,672	218,379	285,213

We have restated our 2021 emissions figure for Scope 1 - Fuels. Previously, we included emissions from the combustion of raw materials. To align to SECR guidelines, we have updated the 2021 figures to include annual GHG emissions from activities for which we are responsible including combustion of fuel and operation of any facility; and the annual emissions from the purchase of electricity, heat, steam or cooling by the company for its own use.

DIRECTORS' REPORT
for the year ended 31 December 2022 (continued)

SECR DISCLOSURES (continued)

Overall, our Scope 1 and 2 emissions (market-based) have increased by 9% in the year. This was driven by an increase in our total Scope 1 emissions (combustion of fuel in our operations, including natural gas, propane, and diesel) which increased by 4% compared to 2021, with emissions from owned fleet increasing year on year. Emissions from refrigerant leakage decreased compared to 2021. Furthermore, we saw an increase in our Scope 2 market-based emissions. At our Elton site, we continued to purchase 100% renewable electricity. We are investigating how we can also switch our other sites to 100% renewable electricity in 2023.

During the year, our total fuel and electricity consumption totaled 1,401,791 MWh. The split between fuel and electricity consumption is displayed below.

Energy source	2022	2021
Fuels (MWh)	1,150,298	1,102,106
Vehicles (MWh)	14,159	11,614
Electricity (MWh)	237,334	222,096
Total Energy Consumption (MWh)	1,401,791	1,335,818
Fuels intensity (MWh/m ²)	1.753	1.687
Electricity intensity (MWh/m ²)	0.357	0.334

Scope 1 emissions for our Derrylin and Elton sites are verified by Lucideon.

Total kWh consumption, fuels intensity (kWh/m²) and electricity intensity (kWh/m²) have all increased due to a growth in melted tonnes compared to 2021. This increase is the reason for the growth in kWh consumption across Scope 1 & 2 in 2022.

Targets

We have an aim to make the most sustainable and energy efficient glass plants in the world by 2024. As part of our sustainability journey, we have committed to comprehensive science-based emissions reduction targets, submitted to the Science-Based Targets Initiative (SBTi) which have been approved:

- o Scope 1 & 2: 47% absolute reduction in Scope 1 & 2 GHG emissions by 2030 from a 2019 baseline (1.5°C aligned).
- o Scope 3: 28% absolute reduction in Scope 3 GHG emissions by 2030 from a 2019 baseline (well below 2°C aligned).

We have also committed to Net Zero and Long-Term science-based emissions reduction targets, and have submitted the following targets to the Science-Based Targets Initiative (SBTi) for approval:

- o Long-Term Target: 90% absolute reduction in Scope 1, 2 & 3 GHG emissions by 2045 from a 2019 base year.
- o Net Zero Target: reach net-zero GHG emissions across the value chain by 2045.

DIRECTORS' REPORT
for the year ended 31 December 2022 (continued)

SECR DISCLOSURES (continued)

Energy efficient activities

Across our sites in the UK & Ireland, we are researching the ability to use hydrogen in our manufacturing furnaces to create ultra-low-carbon glass bottles, from the Vertex (HyNet) plant in Cheshire, that should be operational by 2027.

Additionally, at our site in Elton, we continue to use a railhead which enables us to bring nearly half of our raw materials to the site by rail – keeping thousands of trucks off the road every year and GHG emissions out of the atmosphere. Also, as part of a collaboration with DB Cargo UK, in 2021 we were able to successfully trial the use of 100% renewable HVO fuel to deliver glass sand to our Elton facility by rail. This initiative is a testament to the great work we do when we collaborate with our supplier partners, and it has the potential to reduce the carbon footprint of this part of our products supply chain by 98.7% by removing the need to use diesel.

We are committed as a business to reducing the environmental impact of all our transportation activities in line with our Near-Term SBT and therefore have an ambition that by 2025, all of our lorries will be converted to LPG or EURO 6 (which is the highest emissions standard for diesel vehicles), reducing our NOX emissions from transportation by 84% in the same timeframe.

We are committed to driving innovation and sustainability across our operations and supply chains. In 2022, we conducted more than 50 trials examining the benefits of mixing rail and road methods for raw material deliveries to sites, and outbound shipping of both empty glass containers and filled products. It is thought that by combining rail and road journeys, we could reduce the number of road kilometres travelled by lorries by over 3,200,000 kilometres a year.

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes our two sites, Elton, Cheshire England and Derrylin, Co. Fermanagh, Northern Ireland.

The GHG sources that constituted our operational boundary for the year are:

- **Scope 1:** Direct emissions relating to operations controlled and managed by Encirc. This includes natural gas combustion, gas oil combustion, road fuel combustion within owned vehicles and fugitive emissions from refrigerants in air-conditioning equipment.
- **Scope 2:** Includes emissions from own consumption of purchased electricity. This is broken down into location-based and market-based. The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.
- **Scope 3:** These are Encirc's indirect emissions. In 2022, we measured Business Travel which includes emissions from the transportation of employees for business-related activities owned or operated by third parties e.g., aircrafts, trains, buses, waste and water.

DIRECTORS' REPORT

for the year ended 31 December 2022 (continued)

SECR DISCLOSURES (continued)

Methodology (continued)

In some cases, where data is missing, values have been estimated using pro-rata calculations. The methodology of estimations is: - raw data is divided by the total days it covers. This is then multiplied by the number of days needed to be estimated e.g., 30 days for September.

The intensity ratios selected have been calculated by dividing our Scope 1 and 2 emissions (market-based) by total floor area (m²). These allow for comparison of energy efficiency performance over time.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

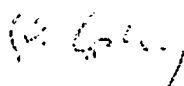
AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



A Curry
Director



S Murphy
Director

7 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the year ended 31 December 2022

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 UK Generally Accepted Accounting Practice (UK 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:

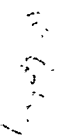
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
-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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company'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.

On behalf of the board



A Curry
Director



S Murphy
Director

7 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENCIRC LIMITED

Opinion

We have audited the financial statements of Encirc Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 27, 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 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 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

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 the period to 30 June 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENCIRC LIMITED (continued)

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 directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENCIRC LIMITED (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

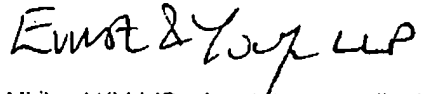
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including in relation to health and safety, GDPR and the environment.
- We understood how Encirc Limited is complying with those frameworks by making inquiries of management to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our inquiries through reading board minutes and correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition and the absorption of overheads into stock to be fraud risks. Our testing of revenue included agreeing specific transactions to supporting invoices, delivery documents, customer contracts, and the receipt of payment in bank statements, and the testing of certain revenue journals. Our testing of the absorption of overheads into the valuation of stock included agreeing relevant key data used to supporting financial and production records, challenging management regarding key assumptions used, considering the reasonableness of the method or assumptions used and the costs included against the requirements of relevant accounting standards, recomputing management's calculations, analytical procedures and considering any changes in methods or assumptions from the prior year.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of Directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the Directors and of management of the company regarding compliance with laws and regulations.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENCIRC LIMITED (continued)

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.



Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 16 June 2023

ENCIRC LIMITED**INCOME STATEMENT**
for the year ended 31 December 2022

	<i>Note</i>	<i>2022</i> <i>£'000</i>	<i>2021</i> <i>£'000</i>
Turnover	3	444,675	360,195
Cost of sales		(398,204)	(286,138)
Gross profit		46,471	74,057
Administrative expenses		(23,243)	(19,383)
Operating profit	4	23,228	54,674
Dividends from subsidiary undertaking	13	2,647	2,129
Other financing income / (expense)	5	740	(1,382)
Interest receivable and similar income	7	577	290
Interest payable and similar expenses	8	(270)	(213)
Profit before taxation		26,922	55,498
Taxation	9	(5,149)	(16,016)
Profit for the financial year		21,773	39,482

ENCIRC LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	<i>Note</i>	2022 £'000	2021 £'000
Profit for the financial year		21,773	39,482
Other comprehensive income			
Items that can be reclassified to profit or loss:			
Fair value movement on energy derivatives		307	-
Movement on deferred tax relating to energy derivatives		(77)	-
Items that cannot be reclassified to profit or loss:			
Actuarial movement during the year	24	3,080	1,711
Movement of deferred tax relating to retirement benefits	9	(765)	(274)
Other comprehensive income net of tax		2,545	1,437
Total comprehensive income for the year		24,318	40,919

ENCIRC LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	<i>Called up share capital</i> £'000	<i>Share Premium</i> £'000	<i>Profit & loss account</i> £'000	<i>Total shareholder funds</i> £'000
At 1 January 2021	284,658	163	79,732	364,553
Total comprehensive income for the financial year	-	-	40,919	40,919
Dividends (<i>Note 21</i>)	-	-	(56,575)	(56,575)
Share based payments (<i>Note 28</i>)	-	-	204	204
At 31 December 2021	<u>284,658</u>	<u>163</u>	<u>64,280</u>	<u>349,101</u>
Total comprehensive income for the financial year	-	-	24,318	24,318
Dividends (<i>Note 21</i>)	-	-	-	-
Share based payments (<i>Note 28</i>)	-	-	-	-
At 31 December 2022	<u><u>284,658</u></u>	<u><u>163</u></u>	<u><u>88,598</u></u>	<u><u>373,419</u></u>

Called up share capital

The balance classified as share capital includes the nominal value of issued share capital.

Share premium

The share premium includes the premium received for share capital over its nominal value.

Profit and loss account

The profit and loss account includes the accumulated profit and losses less any dividends declared.

ENCIRC LIMITED

BALANCE SHEET
at 31 December 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	12	22,412	11,431
Tangible assets	14	292,021	303,815
Investments	13	-	-
		<u>314,433</u>	<u>315,246</u>
CURRENT ASSETS			
Stocks	15	81,063	49,128
Debtors amounts falling due within one year	16	126,396	92,956
Cash at bank and in hand		39,673	28,421
		<u>247,132</u>	<u>170,505</u>
Creditors: amounts falling due within one year	17	(152,634)	(102,811)
NET CURRENT ASSETS		<u>94,498</u>	<u>67,694</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		408,931	382,940
Creditors: amounts falling due after more than one year	18	(5,023)	(4,956)
Provisions for liabilities	9	(32,397)	(27,733)
Net assets excluding pension liabilities		<u>371,511</u>	<u>350,251</u>
Pension assets / (liabilities)	26	1,908	(1,150)
Net assets including pension liabilities		<u><u>373,419</u></u>	<u><u>349,101</u></u>
CAPITAL AND RESERVES			
Called up share capital	20	284,658	284,658
Share premium		163	163
Profit and loss account		88,598	64,280
Total shareholders' funds		<u><u>373,419</u></u>	<u><u>349,101</u></u>

Approved on behalf of the Board of Encirc Limited, (registration number NI030990) on 7 June 2023


A Curry
Director


S Murphy
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Encirc Limited (the 'company') for the year ended 31 December 2022 were authorised for issue by the board of directors on 7 June 2023 and the balance sheet was signed on the board's behalf by A Curry and S Murphy. The company is incorporated and domiciled in the U.K.

These financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and applicable accounting standards. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand except when otherwise indicated. The principal accounting policies adopted by the company are set out in note 2.

The company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts, as it is a wholly owned subsidiary of Vidrala S.A. which prepares group accounts as indicated in note 23.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report and the Directors' Report. The directors believe that the cash resources of the company and financing facilities in place are more than adequate for the future needs of the company and that the company is well placed to manage its business risks successfully.

In making their assessment, the directors have specifically considered the impact higher energy commodity costs, including modelling severe sensitivities that consider the risk of possible increases in costs and reductions in revenues and margins due to more adverse trading conditions, and these forecasts extend to over 12 months (to 30 June 2024) from the date of signing these financial statements.

The company's financial forecasts and sensitivities for the period to 30 June 2024 show the company is expected to continue to be cash generative taking account of the anticipated changes in trading performance, including those risks identified above, and the effects of mitigating actions taken or available to the company, and it will continue to operate within its facilities and meet its obligations as they fall due for the period to 30 June 2024. Consequently, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES

(a) Basis of preparation (continued)

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (d) the requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (i) the requirements of paragraphs 110, 113 (a), 114, 118, 119 (a) - (c), 120 - 127, 129 of IFRS 15 Revenue from Contracts with Customers; and
- (j) the requirements of paragraphs 52 and 58 of IFRS 16 Leases.

(b) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the course of preparing the company's financial statements, no judgements have been made in the process of applying the company's accounting policies, other than in respect of those involving estimates as below. The following judgements involving estimates have had the most significant effect on amounts recognised in the financial statements:

i. Useful lives of Property, Plant and Equipment

The company reviews the estimated useful lives and residual values of property, plant and equipment annually. The assets are depreciated over their estimated useful lives to their residual values. Given the significance of the carrying values of property, plant and equipment to the company's financial position, relatively small changes in estimated useful lives could have a material effect on the company's financial statements. Details of the useful lives assigned to the company's property, plant and equipment is included in note 2(d). The carrying values of such assets are included in note 14.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

ii. *Pension benefits*

The cost of defined benefit pensions is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 26.

(c) *Adoption of new standards*

There are no new standards or amendments materially impacting the Company for the year ended 31 December 2022.

(d) *Significant accounting policies*

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from both the manufacture of container glass and contract filling is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the glass container or on the filling of a container with the customer's product.

While the performance obligation is satisfied upon delivery of glass container or filling of a container with the customer's product, payment is generally due within 14 to 90 days from delivery or filling, with the related amount recognised as a trade debtor until payment is received from the customer.

All revenue recognised in the year relates to performance obligations satisfied in the year.

The Company has no material contract assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting policies (continued)

Foreign currencies

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exceptional items

Items that are material in size, unusual or infrequent in nature are included within profit or loss and disclosed separately as exceptional items in the income statement or the notes to the financial statements. The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the income statement, helps provide an indication of the company's underlying business performance.

Intangible assets - CO₂ emission allowances

Emission allowances are recognised when the company becomes entitled to such allowances and are measured at cost, less accumulated impairment losses. Allowances acquired free of charge or at a price substantially lower than fair value are carried at fair value, which generally coincides with the market value of the allowances at the beginning of the relevant calendar year. The excess between this value and, where applicable, the payment made for the allowance is credited to government grants under deferred income. Amounts recognised under government grants are taken to income statement in accordance with the emissions made as a percentage of total emissions forecast for the entire period for which they have been allocated, irrespective of whether the previously acquired allowances have been sold or impaired.

Expenses generated by the emission of greenhouse gases are recognised in line with the use of emission allowances allocated or acquired as these gases are emitted during the production process, with a credit to the corresponding provision.

Emission allowances recognised as intangible assets are not amortised but written off against the corresponding provision upon delivery to the authorities to cancel the obligations assumed. The company derecognises emission allowances at weighted average cost.

Software development

The cost of acquiring or developing computer software is capitalised and amortised on a straight-line basis over the directors' estimate of its useful economic life which is between 5 and 10 years. Costs that qualify for capitalisation include both internal and external costs but are limited to those that are directly related to the specific software development project. The carrying value of computer software is reviewed for impairment where events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

*(d) Significant accounting policies (continued)**Right-of-use assets*

The company leases various premises, forklifts, motor vehicles and equipment. Rental contracts are typically made for fixed periods and can span for month or years.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Property, plant and equipment (continued)

Depreciation is provided on property, plant and equipment, other than land, on a straight-line basis over its expected useful life (in years) as follows:

Buildings	50
Furnaces, installations and production machinery	8 - 16
General installations	10 - 30
Furniture	6 - 12
Other plant and equipment	8 - 12
Moulds	Usage basis

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement in the period of de-recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting policies (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease or the Company's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement.

Investments

Investments in subsidiaries are held at historical cost less any applicable impairment provision.

Government grants

Grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets (see note 19).

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

- Raw materials - purchase cost on a weighted average cost basis
- Work in progress, finished goods and goods for resale - cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting policies (continued)

Financial Instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss. Currently the Company does not have any financial assets that are not measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. At initial recognition the Company measures financial assets at fair value plus (in the case of a financial asset not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the asset is derecognised.

The Company's financial assets at amortised cost includes include cash at bank and in hand, trade debtors, other debtors and amounts owed by group undertakings.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

For trade debtors, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

De-recognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(i) Financial liabilities

The company's financial liabilities include trade creditors, other creditors, accruals and amounts owed to group undertakings which are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge if appropriate.

Initial recognition and measurement

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities classified as interest bearing loans and borrowings is as follows:

- After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.
- Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting policies (continued)

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the exception that deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Pensions

The company operates a defined benefit pension plan which is managed as a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost. Re-measurements are recognised in full in other comprehensive income in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) *Significant accounting policies (continued)*

Pensions (continued)

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost. Remeasurements are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Hedge Accounting

The Company uses derivative financial instruments, such as energy price swaps to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company energy price swaps have been classified as cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The hedge documentation includes identification of the hedged instrument, the hedged item, the nature of the risk being hedged and how the company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risks does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting policies (continued)

Hedge Accounting (continued)

The Company recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance costs or finance income. The Company recognised in profit or loss amounts accounted for in other comprehensive income in the same year or years during which the forecast hedged transaction affects profit or loss and in the same caption of the income statement.

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instruments at the grant date, which excludes the effect of non-market-based vesting conditions. The fair value at the grant date is recognised as an expense on a straight-line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

3. TURNOVER

No analysis of turnover is presented, as the company considers that this would be seriously prejudicial to its interests.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)
4. OPERATING PROFIT

	2022	2021
	£'000	£'000
This is stated after charging/(crediting):		
Staff costs (note 10)	79,071	67,664
Amortisation of intangible assets (within cost of sales)	1,532	1,694
Depreciation of tangible assets		
- owned assets property, plant and equipment	31,760	31,350
- leased assets	64	457
- right of use assets	18	-
Amortisation of government grant within cost of sales	(505)	(441)
Amortisation of other long term creditors	(61)	(61)
	<u> </u>	<u> </u>

5. OTHER FINANCING INCOME

	2022	2021
	£'000	£'000
Exchange gain / (loss)		
on loan from group undertaking	740	(1,382)
	<u> </u>	<u> </u>

6. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company.

	2022	2021
	£'000	£'000
Audit of the financial statements	72	64
Other assurance services	-	-
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

7.	INTEREST RECEIVABLE AND SIMILAR INCOME	2022	2021
		£'000	£'000
	Interest receivable from a group company	206	110
	Financial income on pension assets	236	163
	Other interest	135	17
		<u>577</u>	<u>290</u>
		<u><u>577</u></u>	<u><u>290</u></u>
8.	INTEREST PAYABLE AND SIMILAR EXPENSES	2022	2021
		£'000	£'000
	Lease interest	10	5
	Bank interest	1	-
	Financial expense on pension liabilities	258	208
		<u>270</u>	<u>213</u>
		<u><u>270</u></u>	<u><u>213</u></u>
9.	TAXATION	2022	2021
		£'000	£'000
(a)	<i>Tax charged in the income statement</i>		
	<i>Current income tax</i>		
	UK corporation tax	530	6,505
	Adjustments in respect of prior year	796	(514)
		<u>1,326</u>	<u>5,991</u>
	Total current income tax charge	<u>1,326</u>	<u>5,991</u>
		<u><u>1,326</u></u>	<u><u>5,991</u></u>
	<i>Deferred tax</i>		
	Origination and reversal of temporary differences	4,469	4,215
	Impact of rate changes	-	5,505
	Adjustments in respect of prior periods	(646)	305
		<u>3,823</u>	<u>10,025</u>
	Total deferred tax charge	<u>3,823</u>	<u>10,025</u>
		<u><u>3,823</u></u>	<u><u>10,025</u></u>
	Tax expense in the income statement	<u><u>5,149</u></u>	<u><u>16,016</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

9. TAXATION (Continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the U.K (UK) of 19% (2021: 19%). The differences are reconciled below:

	2022 £'000	2021 £'000
Accounting profit before income tax	26,922	55,498
Tax calculated at standard rate of corporation tax in the UK of 19% (2021: 19%)	5,115	10,545
Expenses not deductible for tax purposes	387	580
Impact of rate changes	-	5,505
Non taxable dividends received	(503)	(405)
Adjustments in respect of prior periods	150	(209)
Total tax expense reported in the income statement	<u>5,149</u>	<u>16,016</u>
(c) <i>Deferred tax</i>	2022 £'000	2021 £'000
<i>Deferred tax liability</i>		
Accelerated capital allowances	(33,820)	(29,431)
In relation to retirement benefits	(477)	-
Short term temporary differences	(77)	-
	<u>(34,374)</u>	<u>(29,431)</u>
<i>Deferred tax asset</i>		
Short term temporary differences	1,977	1,410
In relation to retirement benefits	-	288
	<u>1,977</u>	<u>1,698</u>
<i>Disclosed on the balance sheet</i>		
Deferred tax liability	<u>(32,397)</u>	<u>(27,733)</u>

The corporation tax rate in the UK is 19%. (2021: 19%).

As a result of announcements by the UK Government, the UK corporation tax rate will increase to 25% for companies with profits over £250,000 from April 1, 2023. Substantive enactment of the 25% rate for UK GAAP and IFRS purposes occurred on 24 May 2021, and this is the rate at which deferred tax has been provided in the current year. The impact of the rate change reflected in 2021 was a £5.5m charge.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

10. STAFF COSTS

	<i>2022</i>	<i>2021</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	69,680	59,816
Social welfare costs	7,336	5,854
Pension costs	2,055	1,790
Share based payments (note 28)	-	204
	<u>79,071</u>	<u>67,664</u>

Included in pension costs are £70,000 (2021: £70,000) in respect of the defined benefit scheme and £1,985,000 (2021: £1,720,000) in respect of the defined contribution scheme.

The average monthly number of employees during the year was comprised as follows:

	<i>2022</i>	<i>2021</i>
	<i>No.</i>	<i>No.</i>
Senior management	13	13
Middle management	158	141
Administration	198	184
Operatives	1,118	1,018
	<u>1,486</u>	<u>1,356</u>

11. DIRECTORS' REMUNERATION

	<i>2022</i>	<i>2021</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate emoluments	675	608
Pension contributions	24	40
	<u>699</u>	<u>648</u>

The aggregate emoluments of the highest paid Director included above were £396,000, (2021: £348,000), and pension contributions of £Nil (2021: £Nil).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

12. INTANGIBLE ASSETS

	<i>Software development</i>	<i>CO² emission allowances</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>			
At 1 January 2022	7,816	7,843	15,659
Additions	808	27,928	28,736
Re-classified from tangible assets	1,288	-	1,288
Disposals	-	(17,511)	(17,511)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	9,912	18,260	28,172
<i>Amortisation and impairment:</i>			
At 1 January 2022	4,228	-	4,228
Provided during the year	1,532	-	1,532
	<hr/>	<hr/>	<hr/>
At 31 December 2022	5,760	-	5,760
<i>Net book value:</i>			
At 31 December 2022	4,152	18,260	22,412
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	3,588	7,843	11,431
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Software development costs include certain costs that relate to certain assets still under construction.

13. INVESTMENTS

	<i>2022</i>	<i>2021</i>
	<i>£'000</i>	<i>£'000</i>
Investment in subsidiaries	-	-
	<hr/> <hr/>	<hr/> <hr/>

Investments in subsidiaries

The company holds the one €1 issued share of its subsidiary, Encirc Distribution Limited, a company incorporated in the Republic of Ireland, which is engaged in the provision of warehousing services. The registered office of Encirc Distribution Limited is Scotchtown, Ballyconnell, Co. Cavan, Ireland.

On 22 December 2022, a dividend of €3,000,000 (£2,647,290) was approved by the Board of Encirc Distribution Limited in respect of the one ordinary share held by the company. (2021: €2,500,000 (£2,129,325)).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

14. TANGIBLE ASSETS

	<i>Land and buildings</i> £'000	<i>Moulds</i> £'000	<i>Technical Installations & Machinery</i> £'000	<i>Office equipment and furniture</i> £'000	<i>Assets under construction</i> £'000	<i>Right of use leasehold premises</i> £'000	<i>Total</i> £'000
<i>Cost:</i>							
At 1 January 2022	104,845	35,453	335,613	1,806	11,953	-	489,670
Additions	629	5,593	5,700	974	7,928	716	21,540
Transfers	70	-	6,978	489	(7,537)	-	-
Reclassified as intangible	-	-	-	-	(1,288)	-	(1,288)
Disposals	-	(107)	(1,982)	(257)	-	-	(2,346)
At 31 December 2022	105,544	40,939	346,309	3,012	11,056	716	507,576
<i>Depreciation and impairment:</i>							
At 1 January 2022	20,394	24,477	139,700	1,284	-	-	185,855
Provided during the year	2,862	3,083	25,500	359	-	-	31,824
Amortisation of lease	-	-	-	-	-	18	18
Disposals	-	-	(1,885)	(257)	-	-	(2,142)
At 31 December 2022	23,276	27,560	163,315	1,386	-	18	215,555
<i>Net book value:</i>							
At 31 December 2022	82,268	13,379	182,994	1,626	11,056	698	292,021
At 31 December 2021	84,451	10,976	195,913	522	11,953	-	303,815

Included within technical installations and machinery are leased assets related to vehicles and forklifts held under hire purchase or lease agreements with a net book value of £Nil (2021: £64,000). Depreciation in the year amounted to £64,000 (2021: £457,000). The original cost of these assets was £3,260,000 with accumulated depreciation of £3,260,000 (2021 : £3,260,000 and £3,196,000 respectively).

NOTES TO THE FINANCIAL STATEMENTS
 31 December 2022 (Continued)

15. STOCKS	2022	2021
	£'000	£'000
Raw materials and consumables	54,145	21,998
Work in progress	525	490
Finished goods and goods for resale	26,393	26,640
	<u>81,063</u>	<u>49,128</u>

16. DEBTORS: amounts falling due within one year	2022	2021
	£'000	£'000
Trade debtors	94,519	76,555
Amounts owed by group undertakings	24,329	10,010
Corporation tax	4,997	5,602
Energy derivatives	307	-
Prepayments and other debtors	2,244	789
	<u>126,396</u>	<u>92,956</u>

Trade debtors are non interest bearing and are generally on terms of 30 to 90 days. There were no material impairments of contract assets, including trade debtors, during the current or prior year.

17. CREDITORS: amounts falling due within one year	2022	2021
	£'000	£'000
Trade creditors	105,673	67,760
Amounts owed to group undertakings	-	458
Other taxes and social security costs	3,106	1,831
Lease liabilities (note 22)	65	63
Deferred income (note 19)	505	505
Accruals and other creditors	43,285	32,194
	<u>152,634</u>	<u>83,925</u>

18. CREDITORS: amounts falling due after more than one year	2022	2021
	£'000	£'000
Deferred income (note 19)	3,777	4,282
Other creditors	613	674
Lease liabilities (note 22)	633	-
	<u>5,023</u>	<u>4,956</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

19. DEFERRED INCOME	2022	2021
	£'000	£'000
At beginning of year	4,787	5,228
Amortisation during the year	(505)	(441)
	<u> </u>	<u> </u>
At end of year	<u>4,282</u>	<u>4,787</u>
Not later than one year	505	505
After one year but not more than five years	1,777	1,777
After five years	2,000	2,505
	<u> </u>	<u> </u>

Deferred incomes relates to government grants. Following a review, the timing and release of government grants over future years has been aligned to the remaining useful lives of associated assets.

20. AUTHORISED AND ISSUED SHARE CAPITAL	2022	2021
	£'000	£'000
<i>Allotted, called up and fully paid:</i>		
284,658,338 Ordinary shares of £1 each	284,658	284,658
1,000,000 A1 Ordinary shares of £0.0001 each	-	-
1,000,000 A2 Ordinary shares of £0.0001 each	-	-
	<u> </u>	<u> </u>
	<u>284,658</u>	<u>284,658</u>

The A1 and A2 ordinary shares do not carry any voting rights, are not redeemable, but do carry the right to participate in any dividend declared by the company. The A1 and A2 ordinary shares also carry the right to participate in a distribution (including on winding up) pari passu with each other, and in priority to the ordinary shares of the company, as set out in the Articles of the company.

21. DIVIDENDS PAID	2022	2021
	£'000	£'000
<i>Declared and paid per ordinary share during the year</i>		
Interim dividend of £0.06868 on 23 January 2021	-	19,552
Interim dividend of £0.13006 on 30 September 2021	-	37,023
	<u> </u>	<u> </u>
	<u>56,575</u>	<u>56,575</u>

There have been no dividends paid since the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

22. LEASING ARRANGEMENTS

The company leases various premises, forklifts, motor vehicles and equipment. Rental contracts are typically made for fixed periods which can span for month or years. Right of use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs:

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

Right of use assets:	2022	2021
	£'000	£'000
Premises	698	-
Forklifts and motor vehicles	-	-
	<u>698</u>	<u>-</u>
	<u><u>698</u></u>	<u><u>-</u></u>
Lease liabilities:	2022	2021
	£'000	£'000
Current	65	-
Non current	633	-
	<u>698</u>	<u>-</u>
	<u><u>698</u></u>	<u><u>-</u></u>
Future lease payments:	2022	2021
	£'000	£'000
Within one year	65	-
Later than one year, but not more than five years	367	-
Later than five years	266	-
	<u>698</u>	<u>-</u>
	<u><u>698</u></u>	<u><u>-</u></u>

23. GROUP UNDERTAKING

The company's immediate parent undertaking and controlling party is Inverbeira Sociedad de Promoción de Empesas, S.A. a company incorporated in Spain. The company's ultimate parent undertaking and controlling party is Vidrala S.A., a company incorporated in Spain.

The parent undertaking of both the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up is Vidrala S.A., a Company incorporated in Spain. Copies of its group financial statements are available to the public from its registered office at Barrio Munegazo, 22. 01400 Llodio (Alava), Spain.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

24. PENSIONS AND POST-EMPLOYMENT BENEFITS

The Company sponsors the Encirc Pension Plan, a funded defined benefit pension plan in the UK. The Plan is administered within a trust which is legally separate from the Company. Trustees are appointed by both the Company and the Plan's membership and act in the interest of the Plan and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Plan's assets. The main priority of the Trustees when considering the investment policy is to ensure that promises made about members' pensions may be fulfilled

The Plan provides pensions and lump sums to members on retirement and pensions to their dependants on death. Members who left service before retirement are entitled to a deferred pension. The Plan closed to future accrual on 31 August 2014 and all Plan members who were active at that date became deferred pensioners.

Responsibility for making good any deficit within the Plan lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk; inflation risk; investment risk; and longevity risk. The Company and the Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register.

The Plan is subject to regular actuarial valuations which are usually carried out every three years. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best-estimate assumptions. The most recently completed actuarial valuation of the plan was completed with an effective date of 31 December 2020. A recovery plan dated 28 February 2022 is currently in place, and it provides for deficit repair contributions of £70,000 p.a. to be paid by the Company to the Plan for 3 years commencing 1 January 2023.

The valuation of the Plan's liabilities, undertaken at 31 December 2022, for the purposes of IAS 19 disclosures has been carried out using full membership data as at 31 December 2020 with approximate allowance for membership movements to the measurement date. The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the statement of financial position are as follows:

	2022	2021
	£'000	£'000
Present value of Plan Liabilities	(8,628)	(13,642)
Fair value of Plan assets	<u>10,536</u>	<u>12,492</u>
Funded status	1,908	(1,150)
Restriction on asset recognised	<u>-</u>	<u>-</u>
Net amount recognised at year end	<u>1,908</u>	<u>(1,150)</u>
(before any adjustment for deferred tax)		

NOTES TO THE FINANCIAL STATEMENTS
 31 December 2022 (Continued)

24. PENSIONS AND POST-EMPLOYMENT BENEFITS (Continued)

The amounts recognised in comprehensive income are:

The past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2022	2021
	£'000	£'000
Service cost:		
Net interest expense	<u>22</u>	<u>45</u>
Charge recognized in P&L	<u>22</u>	<u>45</u>
Remeasurements of the net liability:		
Return on Plan assets (excluding amount included in interest expense)	2,163	(1,863)
Loss arising from changing in financial assumptions	(6,046)	(321)
Loss/(Gain) arising from changes in demographic assumptions	(59)	199
Experience loss	<u>862</u>	<u>274</u>
Charge recorded in other comprehensive income	<u>(3,080)</u>	<u>(1,711)</u>
Total defined benefit (credit)/ charge	<u>(3,058)</u>	<u>(1,666)</u>

The principal actuarial assumptions used were:

	2022	2021
Liability discount rate	4.25%	1.89%
Inflation assumption – RPI	2.95%	3.15%
Inflation assumption – CPI pre 2030	1.95%	2.35%
Inflation assumption – CPI post 2030	2.95%	2.35%
Revaluation of deferred pensions:		
Statutory – pre 2030	1.95%	2.35%
Statutory – post 2030	2.95%	2.35%
Enhanced Statutory – pre 2030	2.45%	2.85%
Enhanced Statutory – post 2030	3.45%	2.85%
Increases for pensions in payment:		
Benefits accrued CPI max 3% - pre 2030	1.79%	2.05%
Benefits accrued CPI max 3% - post 2030	2.37%	2.05%
Benefits accrued RPI max 5%	2.90%	3.07%
Proportion of employees opting for early retirement	0%	0%
Proportion of employees commuting pension for cash	100%	100%

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

24. PENSIONS AND POST-EMPLOYMENT BENEFITS (Continued)

Mortality assumption – male pre & post retirement	101% SAPS S3PMA CMI 2021 (w 0% 2020 and 2021) 1% trend	SAPS S3PMA CMI 2020 (w 0% 2020) 1% trend
Mortality assumption – female pre & post retirement	104% SAPS S3PMA CMI 2021 (w 0% 2020 and 2021) 1% trend	SAPS S3PMA CMI 2020 (w 0% 2020) 1% trend
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	86.7	86.7
Female aged 65 at year end:	88.8	89.1
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	87.7	87.7
Female aged 45 at year end:	90.0	90.2
Changes in the present value of assets over the period:		
	2022	2021
	£'000	£'000
Fair value of assets at start of period	12,492	10,465
Interest income	236	163
Return on assets (excluding amount included in net interest expense)	(2,163)	1,863
Contributions from employer	-	140
Benefits paid	<u>(29)</u>	<u>(139)</u>
Fair value of assets at the end of period	<u>10,536</u>	<u>12,492</u>
Actual return on assets over the period	<u>(1,927)</u>	<u>2,026</u>
Changes in the present value of liabilities over the period:		
	2022	2021
	£'000	£'000
Liabilities at start of period	13,642	13,421
Interest cost	258	208
Remeasurement (gains)/losses:		
Actuarial gains & losses arising from changes in financial assumptions	(6,046)	(321)
Actuarial gains & losses arising from changes in demographic assumptions	(59)	199
Other experience items	862	274
Benefits paid	<u>(29)</u>	<u>(139)</u>
Liabilities at end of period	<u>8,628</u>	<u>13,642</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

24. PENSIONS AND POST-EMPLOYMENT BENEFITS (Continued)

The split of the Plan's liabilities by category of membership is as follows:

	2022	2021
	£'000	£'000
Active members	-	-
Deferred pensioners	8,447	13,392
Pensions in payment	<u>181</u>	<u>250</u>
	<u><u>8,628</u></u>	<u><u>13,642</u></u>
Average duration of the Plan's liabilities at the end of the period (years)	20	24
This can be subdivided as follows:		
Active members	N/A	N/A
Deferred pensioners	20	25
Pensions in payment	11	14

The major categories of Plan assets are as follows:

	2022	2021
	£'000	£'000
Legal & General Overseas Equities	5,535	5,683
Legal & General Matching Core Real Long Ser 1	1,254	1,362
Northern Trust – The Partners' Fund E*	2,100	2,088
Northern Trust – The Partners' Fund E*	637	633
Standard Life Global Absolute Return Strategies	-	-
Legal & General Diversified Fund	584	2,275
Legal & General UK Equities	425	424
Cash	<u>1</u>	<u>27</u>
Total market value of assets	<u><u>10,536</u></u>	<u><u>12,492</u></u>

The assets all have quoted prices in active markets.

The Partners' Fund, managed by Northern Trust, has been valued using a valuation as at 31 October 2022 with associated disclosures.

The Legal & General Funds have being valued using a valuation as at 30 November 2022 with associated disclosures.

The Plan has no investments in the Company or in property occupied by the Company.

In line with the recovery plan, the Company made a deficit repair contribution of £70k to the Plan during 2021 along with an advanced further deficit repair contribution of £70k. This meant no contribution was due to be paid in the year ended 31 December 2022.

Sensitivity of the liability value to changes in the principal assumptions:

If the discount rate was 0.5% percent higher (lower), the Plan liabilities would decrease by 9.2% (increase by 10.5%) if all the other assumptions remained unchanged.

If the inflation assumption was 0.5% higher (lower), the Plan liabilities would increase by 7.5% (decrease by 8.0%). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the deferred pension and pension in payment. The other assumptions remain unchanged

If life expectancies were to increase (decrease) by 1 year, the Plan liabilities would increase by 2.4% (decrease by 2.4%) if all the other assumptions remained unchanged.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022 (Continued)

24. PENSIONS AND POST-EMPLOYMENT BENEFITS (Continued)

The present value of the defined benefit obligation has been calculated with the same method (project unit method) as the defined benefit obligation recognised in the statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely the change in any of the assumptions would occur in isolation of one another as some of the assumptions are correlated.

No adjustment has being made in the disclosures for the application of IRFIC14.

25. CONTINGENT LIABILITIES

The company along with fellow subsidiary undertakings of the Vidrala S.A. Group, has provided a guarantee to the European Investment Bank, in respect of borrowing obligations entered into by certain undertakings within the Vidrala S.A Group.

In addition, there is the normal liability to repay government grants received if the company fails to achieve and maintain anticipated projected employment levels (note 19). In the opinion of the directors there are no indications that the company will suffer any loss in relation to these potential liabilities.

26. COMMITMENTS

At the balance sheet date the company had capital commitments of £7.0m (2021: £7.2m).

27. POST BALANCE SHEET EVENTS

On 31 January 2023, the company acquired the business and manufacturing assets of a contract packaging facility in Bristol, England known as The Park, from Accolade Wines Limited for a consideration price of £30 million. The acquisition was made to enhance the company's offering in the contract filling market and to align to the company's objective of delivering supply chain solutions to its current and future customer base.

The employees, customers and suppliers of The Park transferred over to Encirc Limited with effect from that date. The company is undertaking a Purchase Price Allocation to determine the net value of assets and goodwill acquired, but at the date of signing the financial statements, this exercise is not yet complete.

There have been no other post balance sheet events which require disclosure or changes to the results.