Ball & Young Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number 901282

Ball & Young Limited
Annual report and financial statements
for the year ended 31 December 2019

Contents

Ball & Young Limited

Directors and advisers for the year ended 31 December 2019

Directors
Mr G Davids
Mr D O'Riordan
Ms A Shaw
Mr T Thorp
Mr I W Robb
Mr M O Shafi Khan

Secretary
Vita Industrial (UK) Limited

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

Registered office
Oldham Road
Middleton
Manchester
M24 2DB

Registered number
901282

Ball & Young Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report on the Company for the year ended 31 December 2019.

Principal activities
The principal activity of the Company during the year was the manufacture of rubber and polyurethane underlay for the flooring industry.

Business review
Results for the year ended 2019 reflected the product innovation developed to keep the leading underlay brand Cloud 9 "best in class". All the Company's PU underlay ranges are recycled and recyclable providing a major step towards avoiding landfill.

The operating profit for the financial year was £8,936,683 (2018: £5,965,447). The profit for the financial year was £8,730,731 (2018: £6,250,776) with turnover of £36,649,002 (2018: £32,079,358).

At the year end the Company had net assets of £69,287,038 (2018: £60,540,700).

Environment
The Company recognises the importance of its environmental responsibilities, undertakes initiatives to promote greater environmental responsibility, encourages the development and sharing of environmentally friendly technologies, designs and implements policies to reduce any environmental damage that might be caused by its activities and regularly reviews its performance. The Company operates in accordance with Group (Vita (Lux III) S.àr.l. and its subsidiary companies) policies.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks.

Competitive pressure, both within the UK and overseas, is a continuing risk for the Company. The Company manages this risk by providing value added services to its customers, having fast response times, not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

Recession: this risk could come about through changes in global and local macro conditions, including the impact of the COVID-19 virus pandemic, or through legislative changes such as Brexit. The Company is partly dependent on the financial performance of the Group, as the Company has a large loan receivable balance from a fellow Group undertaking. The Group's trading history shows that while there may be impacts in the short-term, demand for the Group's products has, in the past, bounced back relatively quickly, especially as the Group is exposed to a wide range of end markets. In addition, the Group, through enhanced management reporting and tracking, is better positioned than ever to be able to flex and control costs to offset the impacts of recessions. Large scale and vertically integrated market participants, such as the Group, generally come out of recessionary periods better than smaller scale, less diversified players. Note, as yet, there is no clarity on how the COVID-19 virus pandemic will develop, nor on the future trading relationship between Britain and the EU. However, the Group has worked through contingency plans which aim to limit any potential negative impacts which could occur, and the Group is working through contingency planning to mitigate the negative effects of any potential recession.

COVID-19: the impact of the coronavirus creates a number of potential business risks which the Company is managing. Risks to workforce safety are managed by a rigorous focus on SHE policies and by following government guidance on hygiene practices and social distancing. Liquidity risks arising from interruption to normal business operations are managed through the preparation of bi-monthly cash forecasts and through weekly updates to liquidity models, which provide management with a medium term view of business cash requirements. Risks to raw material supply are managed through proactive relationships and integrated logistics planning with key suppliers in order to maintain access to material supply, and integrated logistics planning. From a Group perspective, recessionary impacts are managed through strategic planning which ensures that investments are made across multiple business segments to diversify risk, whilst focusing on opportunities that may arise from the pandemic, such as in medical or hygiene applications. These risks are managed through close and highly frequent interactions of Group, Divisional and local teams to share information and execute actions quickly and efficiently.

Ball & Young Limited

Strategic report for the year ended 31 December 2019 (continued)

Financial risk management
The Group, of which the Company is a member, through its treasury activities seeks to reduce financial risk, ensure sufficient liquidity and manage surplus cash. The treasury department operates within parameters approved and monitored by the Group Board of Directors and restricts transactions to banks that have a defined minimum credit rating.

The treasury department does not take speculative financial positions and makes limited use of derivative financial instruments. The treasury department advises operational management on all financial risks and executes all major transactions in financial instruments. In the UK, the treasury department arranges all foreign currency forward contracts to hedge transactional exposures and ensures exposures are fully hedged as they arise and, where appropriate, hedges future exposures up to six months forward. In addition, the treasury department manages borrowings.

At the year end the Company had two foreign currency forward contracts (2018: three) in place with a fellow Group company. The fair value of these contracts at 31 December 2019 was an asset of £1,598 (2018: asset of £7,998 and a liability of £3,590). These values are included in amounts owed by and to Group undertakings, respectively (see notes 10 and 11).

The Company seeks to reduce credit risk through the use of credit insurance and pro-active credit control procedures.

Key Performance Indicators ("KPIs")
The Company produces monthly reporting packs containing its financial results and these are consolidated into the total numbers for submission to the Group for review. The Key Performance Indicators on which the Group focuses are:

- Value Added Margin (MOP = Margin over polymer)
- EBITDA pre IFRS 16 'Leases'
- Working Capital
- Operating Cash Flow

The four KPIs are measured in absolute terms and, in addition, working capital is also measured on days sales outstanding, days purchases outstanding and days inventory in hand.

Non financial
There are three non financial key performance indicators which are:

- Health and safety - the index of Lost Time Accidents (LTAs) per one hundred thousand hours worked is measured monthly at all businesses. The ultimate goal is to achieve zero reported LTA's
- Environment - no prohibition/improvement/non-compliance notices issued on the Company
- Compliance - 100% completion for online compliance training courses

On behalf of the board

David O'Riordan

Mr D O'Riordan
Director
12 June 2020

Ball & Young Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Political and charitable contributions
Charitable contributions amounting to £100 (2018: £100) were made by the Company during the year. No political donations (2018: £nil) were made by the Company during the year.

Future developments
The Company continues to pursue its strategy of growth though new routes into export markets. The Company brings a wealth of experience in carpet underlays, including the leading brand Cloud 9.

Dividends
The directors have not paid and do not propose a dividend in respect of the year ended 31 December 2019 (2018: £nil).

Going concern
The financial statements are prepared on a going concern basis. At 31 December 2019, the Company had net cash of £912,706 (2018: £765,214). The ability of the Company to continue as a going concern is partly dependent on the financial performance of the Group, as the Company has a large loan receivable balance from a fellow Group undertaking. At 31 December 2019, the Group had net cash of £34,914,760 (2018: £25,298,988) and reported strong EBITDA growth and cash generation in the year ended 31 December 2019. Subsequent to the balance sheet date, the Group also made a draw down on its super senior committed RCF amounting to £26,002,029. This was done to maximise operational flexibility, in light of the COVID-19 pandemic, with the cash held in accounts across different operating jurisdictions at the date of signing the financial statements.

As a result of the COVID-19 pandemic, Europe, where most of the Group's operations are located, has seen increased uncertainty and market turmoil. Widespread population movement control and disruption to normal economic activity has begun to adversely impact the Group's business operations. Whilst the Group has more than sufficient liquidity headroom to manage its normal day-to-day business, management consider that increased disruptions from the COVID-19 pandemic including enforced site shutdowns, demand reduction, supply chain interruption, widespread customer defaults and extended delays in collecting receivables, could cause the Group to exceed its funding facilities within the next 12 months and therefore may affect the Group's ability to continue as a going concern.

Management have undertaken detailed scenario analysis to model a base case scenario and a downside scenario. Under the base case, the Group is forecast to have sufficient cash and headroom within existing facilities to meet its obligations as they fall due without the need for additional funding or financial support. However, under the downside scenario, the Group is forecast to have a shortfall of available cash between May and September 2020, despite targeted spend actions such as operating cost reduction and reduced discretionary spend, including on capital expenditure projects.

The key management assumptions in the downside scenario are:
- Enforced shut down of all operating plants for a full month;
- Significant reduction in demand in the months following the restart of each site, resulting in revenue shortfalls versus budget for the remainder of the financial year ending 31 December 2020;
- A significant increase in terms taken by customers to pay credit invoices;
- Actions to materially flex operating costs and reduce capital spend across the financial year ended 31 December 2020; and
- Restricted ability to flex supplier payment terms.

Management have already applied for and secured government support in a number of operating jurisdictions to defer taxation remittances and are working actively on accessing government-backed funding facilities to manage any potential liquidity shortfalls in the downside scenario. Furthermore, the Group is working in partnership with its suppliers to determine what support they can provide in such a scenario. Finally, the Group is in discussions with its lenders and shareholder to obtain additional borrowing facilities that would further strengthen its ability to manage any such cash flow volatility that may arise in the short term.

The Group is currently in compliance with all lending covenants and, based on both its base case and downside scenario modelling, expects to remain in compliance in the next twelve months. Only the downside scenario described above indicates the existence of a material uncertainty, which may cast significant doubt on the Group and as a result, due to its dependence on the Group's financial performance, the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Directors' report for the year ended 31 December 2019 (continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements are as follows:

Mr G Davids
Mr D O'Riordan
Ms A Shaw
Mr T Thorp
Mr I W Robb (appointed 7 January 2019)
Mr M O Shafi Khan (appointed 12 April 2019)

Financial risk management

Financial risk management is described in the Strategic report on page 3.

Creditor payment policy

The Company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the Company's practice is to:

(a) agree the terms of payment at the start of business with the supplier;
(b) ensure that those suppliers are made aware of the terms of payment;
(c) pay in accordance with its contractual and other legal obligations.

The Company's average creditor payment period at 31 December 2019 was 60 days (2018: 74 days).

Employees, human rights and labour practices

The Company is an organisation which seeks to engage with its employees and embraces everyone's talents and abilities, and where diversity is valued. It does not unfairly discriminate and respects human rights. It seeks to recruit the right people who are committed to the business and to provide opportunities for employees to progress within the organisation on the basis of their skills, experience and aptitude.

The Company encourages involvement of its employees in the performance of the business and aims to achieve a sense of shared commitment. There is also regular consultation with employees or their representatives, so that the views of employees can be taken into account in making decisions that are likely to affect their interests. The Company produces a regular employee e-newsletter to share experiences and achievements. The Company has an intranet, which is a central portal for information on projects, Safety, Health and Environment (SHE) matters and policies. Announcements are periodically circulated to give details of commercial and staff matters. Notice boards are positioned at strategic locations at all sites, to ensure employees are informed on SHE matters as well as providing information relating to performance and projects. Posters providing information about the Group's Whistleblowing Policy are shown on employee notice boards at all sites.

Employment policies

The Company has standards of business conduct with which it expects all its employees to comply. The Company is committed to employment policies which follow best practice and are based on respect and equal opportunities for all employees, irrespective of gender, religion or belief, age, racial or ethnic origin, sexual orientation or disability. The Company supports the employment, training, career development and promotion of all its employees. The Company also supports the continuing employment and training of employees who have become disabled while employed by the company. To avoid any issues arising from any conflicts of interest between the interests of the business and any personal interests of the employee, employees are encouraged always to disclose any potential or actual conflicts of interest to their manager or Human Resources representative.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events
Details of a non-adjusting post balance sheet event in respect of COVID-19 are included in note 23 to the financial statements.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have been appointed in the period and have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board

Daniel O'Riordan

Mr D O'Riordan
Director
12 June 2020

Ball & Young Limited

Independent auditors' report to the members of Ball & Young Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ball & Young Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of changes in equity for the year then ended; the Accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

We draw attention to the accounting convention section of the Accounting policies on page 13 to the financial statements, concerning the company's ability to continue as a going concern. The Board of Directors have considered the potential impact that the COVID-19 outbreak could have on the Company. This includes consideration of the impact of COVID-19 on the financial performance of the Company and its fellow group undertakings (the 'Group'), to which its ability to continue as a Going Concern is dependent. That consideration includes a downside scenario involving a period of significantly reduced revenue and extended customer receivables period, which would lead to a shortfall of available cash unless additional financing can be obtained. The conditions outlined in the downside scenario, along with the other matters explained in the accounting convention section of the Accounting policies on page 13, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Ball & Young Limited (continued)

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Simon White (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
12 June 2020

Ball & Young Limited

Profit and loss account for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	1	**36,649,002**	32,079,358
Cost of sales		**(22,206,488)**	(21,075,038)
Gross profit		**14,442,514**	11,004,320
Distribution costs		**(4,443,933)**	(4,233,957)
Administrative expenses		**(1,061,898)**	(804,916)
Operating profit	2	**8,936,683**	5,965,447
Interest receivable and similar income	3	**2,467,911**	1,537,365
Interest payable and similar expenses	4	**(649,675)**	(149,552)
Profit before taxation		**10,754,919**	7,353,260
Tax on profit	6	**(2,024,188)**	(1,102,484)
Profit for the financial year	15	**8,730,731**	6,250,776

All results are generated from continuing operations.

See note 22 for details of changes in accounting policies.

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

The Company incurred no income or expense other than that recognised in the Profit and loss account above in either the current or prior year and, therefore, no separate Statement of comprehensive income has been presented.

Ball & Young Limited

Balance sheet as at 31 December 2019

	Note	2019	2018
		£	£
Fixed assets			
Tangible assets	7	**3,299,779**	2,948,725
Right-of-use assets	8	**6,679,325**	-
		9,979,104	2,948,725
Current assets			
Stocks	9	**1,694,332**	1,404,659
Debtors (includes £69,357,280 (2018: £61,715,694) due after more than one year)	10	**71,299,677**	63,210,735
Cash at bank and in hand		**912,706**	765,214
		73,906,715	65,380,608
Creditors: amounts falling due within one year	8,11	**(8,252,019)**	(7,421,390)
Net current assets		**65,654,696**	57,959,218
Total assets less current liabilities		**75,633,800**	60,907,943
Creditors: amounts falling due after more than one year	8,12	**(6,219,023)**	(246,569)
Provisions for liabilities	13	**(127,739)**	(120,674)
Net assets		**69,287,038**	60,540,700
Capital and reserves			
Called up share capital	14	**12,500,000**	12,500,000
Share premium account	15	**250,000**	250,000
Profit and loss account	15	**56,498,808**	47,768,077
Cash flow hedging reserve	15	**38,230**	22,623
Total shareholder's funds		**69,287,038**	60,540,700

See note 22 for details of changes in accounting policies.

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

The financial statements on pages 9 to 32 were approved by the board of directors on 12 June 2020 and were signed on its behalf by:

Daniel O'Riordan

Mr D O'Riordan
Director
12 June 2020

Ball & Young Limited
Registered number
901282

Ball & Young Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Share premium account	Profit and loss account	Cash flow hedging reserve	Total shareholder's funds
	£	£	£	£	£
At 1 January 2018	12,500,000	250,000	41,517,301	25,437	54,292,738
Movement in cash flow hedging reserve	-	-	-	(2,814)	(2,814)
Profit for the financial year and total comprehensive income for the financial year	-	-	6,250,776	-	6,250,776
At 31 December 2018	12,500,000	250,000	47,768,077	22,623	60,540,700
Movement in cash flow hedging reserve	-	-	-	15,607	15,607
Profit for the financial year and total comprehensive income for the financial year	-	-	8,730,731	-	8,730,731
At 31 December 2019	**12,500,000**	**250,000**	**56,498,808**	**38,230**	**69,287,038**

See note 22 for details of changes in accounting policies.

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

Ball & Young Limited

Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Ball & Young Limited for the year ended 31 December 2019 were authorised for issue by the board of directors on 12 June 2020 and the balance sheet was signed on behalf of the board by Mr D O'Riordan. Ball & Young Limited is a private limited company, limited by shares, and is incorporated, registered and domiciled in England and Wales.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act), as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The results of Ball & Young Limited are included in the consolidated financial statements of Vita (Lux III) S.àr.l., a company incorporated in Luxembourg. Copies of their financial statements can be obtained from Vita (Lux III) S.àr.l., 15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. The financial statements are prepared in Sterling.

These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation
The financial statements have been prepared, on the going concern basis, using the historical cost convention, modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss as stated in the accounting policies.

The Company is a qualifying entity for the purposes of FRS 101. Note 21 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

- IFRS 7, "Financial Instruments: Disclosures"
- IAS 7, "Statement of cashflows"
- The requirements of IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.
- Paragraph 38 IAS 1, 'Presentation of financial statements' comparative information requirements in respect of: - paragraph 73(e) of IAS16 Property, plant and equipment

Critical accounting estimates and judgements
The Company's accounting policies have been set by management and approved by the Audit Committee. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future. These are continually evaluated based on historical experience and expectations of future events.

Under FRS 101, estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

Critical accounting estimates and judgements have been made in the following areas when preparing the Company's financial statements:

Estimated credit losses – note 10. Regarding the impairment model under IFRS 9 the Company has calculated impairment provisions for financial assets using an expected credit loss matrix model.

Critical judgements in determining the lease term under IFRS 16 (note 7) - in determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Going concern judgement - in respect of the outbreak of the COVID-19 pandemic, the Company has experienced reduced customer demand leading to furloughs or the suspension of operations at its plants. Management have prepared a number of scenarios to assess the likely impact of the pandemic on future financial position and performance which support the conclusion that the financial statements can be prepared on a going concern basis. This has been further expounded upon below.

Ball & Young Limited

Accounting policies (continued)

Going concern
The financial statements are prepared on a going concern basis. At 31 December 2019, the Company had net cash of £912,706 (2018: £765,214). The ability of the Company to continue as a going concern is partly dependent on the financial performance of the Group, as the Company has a large loan receivable balance from a fellow Group undertaking. At 31 December 2019, the Group had net cash of £34,914,760 (2018: £25,298,988) and reported strong EBITDA growth and cash generation in the year ended 31 December 2019. Subsequent to the balance sheet date, the Group also made a draw down on its super senior committed RCF amounting to £26,002,029. This was done to maximise operational flexibility, in light of the COVID-19 pandemic, with the cash held in accounts across different operating jurisdictions at the date of signing the financial statements.

As a result of the COVID-19 pandemic, Europe, where most of the Group's operations are located, has seen increased uncertainty and market turmoil. Widespread population movement control and disruption to normal economic activity has begun to adversely impact the Group's business operations. Whilst the Group has more than sufficient liquidity headroom to manage its normal day-to-day business, management consider that increased disruptions from the COVID-19 pandemic including enforced site shutdowns, demand reduction, supply chain interruption, widespread customer defaults and extended delays in collecting receivables, could cause the Group to exceed its funding facilities within the next 12 months and therefore may affect the Group's ability to continue as a going concern.

Management have undertaken detailed scenario analysis to model a base case scenario and a downside scenario. Under the base case, the Group is forecast to have sufficient cash and headroom within existing facilities to meet its obligations as they fall due without the need for additional funding or financial support. However, under the downside scenario, the Group is forecast to have a shortfall of available cash between May and September 2020, despite targeted spend actions such as operating cost reduction and reduced discretionary spend, including on capital expenditure projects.

The key management assumptions in the downside scenario are:

- Enforced shut down of all operating plants for a full month;
- Significant reduction in demand in the months following the restart of each site, resulting in revenue shortfalls versus budget for the remainder of the financial year ending 31 December 2020;
- A significant increase in terms taken by customers to pay credit invoices;
- Actions to materially flex operating costs and reduce capital spend across the financial year ended 31 December 2020; and
- Restricted ability to flex supplier payment terms.

Management have already applied for and secured government support in a number of operating jurisdictions to defer taxation remittances and are working actively on accessing government-backed funding facilities to manage any potential liquidity shortfalls in the downside scenario. Furthermore, the Group is working in partnership with its suppliers to determine what support they can provide in such a scenario. Finally, the Group is in discussions with its lenders and shareholder to obtain additional borrowing facilities that would further strengthen its ability to manage any such cash flow volatility that may arise in the short term.

The Group is currently in compliance with all lending covenants and, based on both its base case and downside scenario modelling, expects to remain in compliance in the next twelve months. Only the downside scenario described above indicates the existence of a material uncertainty, which may cast significant doubt on the Group and as a result, due to its being partly dependent on the Group's financial performance, the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

New accounting standards and IFRS IC interpretations
The Company has adopted the following new and amended IFRSs in all periods presented in the consolidated historical financial information:

- IFRS 16 'Leases'
- IFRS IC 23 'Uncertainty over income tax treatments'
- Annual improvements 2015-2018
- Amendments to IFRS 9 (prepayment features)
- Amendments to IAS28 'long-term interests'
- Amendments to IAS19 'plan amendment, curtailment or settlement'

With the exception of IFRS 16 (explained below and in note 22 'Changes in accounting policies') the amendments listed above did not have a material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Accounting policies (continued)

New accounting standards and IFRS IC interpretations (continued)
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IFRS 3 'Business combinations'
- Amendments to IAS8 'Accounting policies, changes in accounting estimate and errors'
- Amendments to IAS1 'Presentation of financial instruments'
- Amendments to IFRS 9, IAS 39 and IFRS 7 'interest rate benchmark reform'
- Amendments to Conceptual framework

The Company adopted IFRS 16 'Leases' with effect from 1 January 2019. The Company has elected to apply the modified retrospective approach on transition to IFRS 16 and, as such, the cumulative effect of initially applying the standard was recognised at the date of initial application, being 1 January 2019.

The impact on the Company's financial statements on initial application of IFRS 16 as at 1 January 2019 was:
- the recognition of right-of-use assets with a total value of £7,269,045;
- the recognition of corresponding lease liabilities of £7,263,844;
- the de-recognition of accrued liabilities relating to leases of £nil.

The impact on the Company's financial statements for the year ended 31 December 2019 is an increase in EBITDA of £927,025, an increase in leased asset finance charges of £472,336 and an increase in leased asset depreciation charges of £631,771.

Assumptions used in the calculation of the Incremental borrowing rates (IBR's):

- Property- a weighted average cost of long-term and Group RCF debt, adjusted for duration, country risk for the UK and specific asset risk.
- Vehicles - average of cost of debt for FactoFrance SAS and the Group RCF facility, as a basis for shorter term debt.
- Plant & machinery – based on an average of actual examples from each geographic region.

Early adoption of standards
The Company has not adopted, and does not intend to adopt, any standards early.

Tangible assets
Fixed assets are shown at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Any related government grants are reported as deferred income and amortised over the expected useful life of the asset concerned. The balance of unamortised grants is disclosed as deferred income if material.

Right-of-use assets
Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

IFRS 16 only requires disclosure of depreciation expense and additions to right-of-use assets. However, additional disclosures may be necessary to explain significant changes in the amounts of right-of-use assets, for example as a result of modifications to lease agreements.

Depreciation
Tangible assets
Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its useful life as follows:

	%
Plant and machinery and motor vehicles	10 – 25

Right-of-use assets
Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset' useful life.

Ball & Young Limited

Accounting policies (continued)

Leases

Until 31 December 2018 leases of property, plant and equipment, where the Company, as lessee, had substantially all the risks and rewards of ownership, were classified as finance leases (note 7). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (note 22).

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied:
In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, recognised as an expense in the profit or loss on a straight-line basis over the period of the lease,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 'Determining whether an Arrangement contains a Lease'.

Stocks

Stocks are valued at the lower of first-in, first-out cost and net realisable value. Cost includes raw materials and appropriate production overhead expenses. Net realisable value is the price at which the stock can be sold in the normal course of business less any costs of realisation. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

During the year the Company participated in one defined benefit group pension scheme adminstered by Vita (Group) Unlimited and one defined contribution scheme. Pension costs are accounted for as if both the schemes were defined contribution schemes, under International Accounting Standard (IAS) 19R "Retirement Benefits", as the Company is not the sponsoring entity in respect of the defined benefit scheme.

Accounting policies (continued)

Foreign currencies
Transactions denominated in foreign currencies are translated into Sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated into Sterling at the rate of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related foreign currency forward contract). Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

Turnover
Turnover comprises the value of sales (excluding VAT, similar taxes and trade discounts) and is recognised in the Profit and loss account, when goods are supplied to external customers against orders received, title and risk of loss is passed to the customer and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete. Rebates, discounts and returns are recognised when reliable estimates can be made of these relevant deductions. The Company's sales arrangements do not involve multiple performance obligations, and the Company is not significantly exposed to contracts or other long-term sales arrangements, with sales recognised on delivery or collection of manufactured products, which is generally the point at which the Company's performance obligations have been fulfilled.

All sales are made with an average credit term of 58 days (2018: 60 days).

Cash flow statement
The Company is a wholly owned subsidiary of Vita (Lux III) S.àr.l., which produces consolidated financial statements that are publicly available. Consequently, the Company is exempt from the requirement of IAS 7 "Statement of Cash Flows" to prepare a cash flow statement.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold in the ordinary course of business. These are carried at original invoice amount less any provision for impairment. Following the implementation of IFRS 9, the Company has adopted the impairment model under IFRS 9, which requires the recognition of impairment provisions for financial assets to be based on expected credit losses (ECL). Long-term debtors are discounted where the effect is material.

A debtor is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional, because only the passage of time is required before the payment is due.

Provisions
A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

The Company is exposed to environmental liabilities relating to its operations. Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation.

Hedge accounting
The Company has a number of forward currency contracts that are used to reduce the exposure to currency risk.

These forward currency contracts are fully effective at eliminating the risks they address. The Company has reviewed the requirements necessary to permit the application of hedge accounting under IFRS 9 'Financial instruments: recognition and measurement', and it has been applied accordingly. No ineffectiveness on hedges was recorded during 2019.

Changes in the fair value of derivative financial instruments to which hedge accounting is not applied are recognised in the Profit and loss account as they arise.

Share capital
The Company manages its capital structure and makes adjustments to it in light of changes to economic conditions and the strategic objectives of the Company. In order to maintain or adjust the capital structure, the Company might adjust the amount of dividends paid, return capital to shareholders and issue new shares.

Accounting policies (continued)

Financial liabilities

Initial recognition

Financial liabilities within the scope of IFRS 9 "Financial Instruments" are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

Recognition and measurement

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that do not meet the hedge accounting criteria of IFRS 9. Gains or losses on liabilities held for trading are recognised in the Profit and loss account.

(b) Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the loans and borrowings using the effective interest rate method.

Derecognition of financial liabilities

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

Ball & Young Limited

Notes to the financial statements

for the year ended 31 December 2019

1 Turnover

Turnover is generated entirely from the Company's principal activity.

The geographical analysis of turnover by destination is as follows:

	2019 £	2018 £
Continental Europe	**1,280,569**	1,021,407
United Kingdom	**35,206,157**	30,941,317
Rest of World	**162,276**	116,634
	36,649,002	32,079,358

2 Operating profit

Operating profit is stated after charging:	2019 £	2018 £
Staff costs (see note 5)	**4,882,211**	4,535,437
Depreciation of tangible assets:		
- owned assets	**583,390**	745,054
- held under finance leases	**-**	14,357
Depreciation of right-of-use assets	**635,639**	-
Net foreign currency exchange (gain)/loss	**(49,238)**	1,652
Lease expenses (notes 18 and 22):		
- property	**-**	805,486
- plant and equipment	**14,313**	133,856
Services provided by the Company's auditors:		
- fees payable for statutory audit services	**25,520**	23,430

The auditors received no remuneration for non-audit services (2018: £nil).

3 Interest receivable and similar income

	2019 £	2018 £
Interest receivable from group undertakings	**2,467,911**	1,525,983
Other	**-**	11,382
	2,467,911	1,537,365

4 Interest payable and similar expenses

	2019 £	2018 £
Interest payable to group undertakings	**3,588**	541
Interest payable under finance leases	**-**	485
Interest and finance charges paid/payable for lease liabilities and financial liabilities at fair value through profit or loss	**472,336**	-
Other	**173,751**	148,526
	649,675	149,552

Other interest relates to amounts payable under a receivables financing facility with FactoFrance SAS.

5 Directors and employees

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

	2019 £	2018 £
Wages and salaries	**3,993,766**	3,752,310
Social security costs	**455,125**	428,139
Other pension costs (see note 19)	**433,320**	354,988
	4,882,211	4,535,437

The average monthly number of persons, including directors, during the year was:

	2019 Number	2018 Number
By activity		
Administration	**6**	6
Selling and distribution	**46**	40
Production	**87**	86
	139	132

5 Directors and employees (continued)

Directors' remuneration

Two directors (2018: two) received emoluments for their services to the Company in the year.

	2019 £	2018 £
Total amount of emoluments	**276,521**	195,295
Value of company contributions to the defined contribution scheme	**40,205**	36,496

The number of directors who accrued benefits under group pension schemes during the year was two (2018: two).

Four directors (2018: three) are directors for a number of group companies and it is not possible to allocate the remuneration between individual entities. Therefore, the Company discloses the emoluments paid to those directors for their services in the current year and in the prior year in Vita (Group) Unlimited and Vita Cellular Foams (UK) Limited.

Highest paid director

	2019 £	2018 £
Total amount of emoluments	**167,344**	105,617
Value of company contributions to the defined contributions scheme	**22,563**	19,704

There were no related party transactions relating to directors.

Notes to the financial statements (continued) for the year ended 31 December 2019

6 Tax on profit

	2019 £	2018 £
Current tax		
United Kingdom corporation tax at 19% (2018: 19%)	**1,981,233**	1,428,156
Adjustments to current tax in respect of prior years	**(2,015)**	(303,342)
Total current tax	**1,979,218**	1,124,814
Deferred tax		
Credit in respect of accelerated capital allowances	**78,810**	(21,676)
Adjustments to deferred tax in respect of prior years	**(25,544)**	(2,134)
Impact of change in tax rate	**(8,296)**	1,480
Total deferred tax	**44,970**	(22,330)
Tax on profit	**2,024,188**	1,102,484

The tax assessed for the year differs (2018: differs) from the effective rate of Corporation tax in the UK. The differences are explained as follows:

	2019 £	2018 £
Profit before taxation	**10,754,919**	7,353,260
Tax on profit at standard UK Corporation tax rate of 19% (2018: 19%)	**2,043,435**	1,397,119
Expenses not deductible	**9,271**	7,282
Capital allowances (in excess of)/less than depreciation	**(72,880)**	23,755
Adjustments to current tax in respect of prior years	**(2,015)**	(303,342)
Deferred tax charge/(credit) in respect of accelerated capital allowances	**78,810**	(21,676)
Re-measurement of deferred tax – current year impact of change in the UK tax rate	**(8,296)**	440
Re-measurement of deferred tax – future impact of change in the UK tax rate	-	1,040
Other timing differences	**1,407**	-
Adjustments to deferred tax in respect of prior years	**(25,544)**	(2,134)
Tax charge for the year	**2,024,188**	1,102,484

The company has no deferred tax assets (2018: £nil).

On 11 March 2020 the UK Chancellor announced that the main rate of UK corporation tax would remain at 19% with effect from 1 April 2020 (instead of 17% as previously announced). This change became substantively enacted on 17 March 2020. As the change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax expense and associated deferred tax liability by £15,028. The company has no deferred tax assets (2018: £nil).

7 Tangible assets

	Plant, machinery and motor vehicles £
Cost	
At 1 January 2019	12,831,250
Reclass of finance lease assets 1 January 2019	(132,987)
Additions	939,645
Disposals	(48,293)
At 31 December 2019	**13,589,615**
Accumulated depreciation	
At 1 January 2019	9,882,525
Reclass of finance lease assets 1 January 2019	(127,786)
Charge for the year	583,390
Disposals	(48,293)
At 31 December 2019	**10,289,836**
Net book value	
At 31 December 2019	**3,299,779**
At 31 December 2018	2,948,725

The gross value of plant and vehicles leased assets was £nil (2018: £132,987) less accumulated depreciation of £nil (2018: £127,786) giving a net book value included in the above of £nil (2018: £5,201).

From 1 January 2019, assets under finance leases are presented as a separate line item in the Balance sheet, see note 8 and refer to note 22 for details of the changes in accounting policies.

Ball & Young Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

8 Leases

This note provides information for leases where the Company is a lessee.

i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	31 December 2019 £	1 January 2019 £
Property	**6,252,783**	6,750,910
Plant and equipment	**360,997**	459,563
Motor vehicles	**65,149**	54,100
Others	**396**	4,472
	6,679,325	7,269,045

Lease liabilities	31 December 2019 £	1 January 2019 £
Current	**890,288**	917,703
Non-current	**5,964,786**	6,346,141
	6,855,074	7,263,844

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. The assets (£5,201) were presented in plant and equipment. There were no liabilities. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 22.

Additions to the right-of-use assets during the 2019 financial year were vehicles of £45,919.

ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	31 December 2019 £	1 January 2019 £
Property	**(498,127)**	-
Plant and equipment	**(98,565)**	-
Motor vehicles	**(34,871)**	-
Others	**(4,076)**	-
	(635,639)	-
Other profit and loss expenses relating to leases:		
Interest expense (included in finance cost)	**(472,336)**	-
Expense relating to short-term leases (included in distribution)	**(14,313)**	-
Expense relating to low value leases (included distribution costs)	**-**	-
	(486,649)	-

The total cash outflow for leases in 2019 was £927,025.

8 Leases (continued)

iii) The Company's leasing activities and how these are accounted for

The Company leases various offices, production facilities, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of greater than twelve months to ten years but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 18 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

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

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

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

To determine the incremental borrowing rate, the Company uses:

- Property- a weighted average cost of long-term and RCF debt, adjusted for duration, country risk and specific asset risk.
- Vehicles - average of cost of debt for Factofrance and the RCF facility, as a basis for shorter term debt.
- Plant & machinery – based on an average of actual examples from the geographic region.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

8 Leases (continued)

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

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

iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

v) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, production facilities, warehouses and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Many extension options for offices and production facilities leases have been included in the lease liability, because the Company could not replace the assets without significant cost or business disruption.

As at 31 December 2019, no potential future cash outflows have been excluded in the lease liability because it is reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £nil.

9 Stocks

	2019 £	2018 £
Raw materials and consumables	**1,167,107**	1,024,662
Work in progress	**203,229**	133,773
Finished goods and goods for resale	**323,996**	246,224
	1,694,332	1,404,659

There is no material difference between the balance sheet value of stocks and their replacement cost.

Inventories are stated after provisions for impairment of £48,687 (2018: £54,140). Inventories expensed in the year ended 2019 are £15,708,020 (2018: £14,802,930).

The movement in the provision for impairment resulted in an income being recognised in the year ended 2019 of £5,453 (2018: expense £12,372) and the amount of any reversal of prior year movements recognised as an expense was £nil (2018: £nil).

10 Debtors

	2019 £	2018 £
Trade debtors	**438,497**	-
Amounts owed by group undertakings (includes £69,357,280 (2018: £61,715,694) due after more than one year)	**70,631,251**	63,059,402
Other debtors	**932**	553
Prepayments and accrued income	**228,997**	150,780
	71,299,677	63,210,735

Amounts owed by group undertakings are unsecured and interest is charged on a floating rate basis. The rates are linked to the relevant currency LIBOR (zero floor) (or equivalent) for the currency of for each loan, and an appropriate margin is added. Amounts owed by group undertakings are not repayable on demand.

The impairment model under IFRS 9 requires the recognition of impairment provisions for financial assets to be based on expected credit losses (ECL). The Company has calculated impairment provisions for financial assets using an expected credit loss matrix model as follows:

- Gross sales ledger balances have been reviewed and specific credit risks identified. This includes customers in administration or customers for whom a significant credit risk exists. Any such credit risks are subject to a 100% provision.
- An expected credit loss matrix has then been calculated for the Company.

The Company does not consider there to be any requirement for impairment in the other receivable balances. There is not considered to be any additional credit risk based on the credit quality of financial assets that are neither past due nor impaired.

The Trade debtors figure is net of derecognised receivables, factored without recourse, of £1,491,457 (2018: £2,442,951).

Notes to the financial statements (continued)
for the year ended 31 December 2019

11 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	**3,130,872**	4,131,953
Amounts owed to group undertakings	**1,124,272**	1,147,670
Lease liabilities	**890,288**	-
Finance leases (see note 12)	-	2,876
Corporation tax	**1,431,516**	623,134
Other tax and social security	**1,028,355**	1,037,927
Other creditors	**40,775**	112,420
Accruals and deferred income	**605,941**	365,410
	8,252,019	7,421,390

Amounts owed to group undertakings are interest free and repayable 45 days after the end of the month in which they arose.

12 Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Lease liabilities	**5,964,786**	-
Other creditors	**254,237**	246,569
	6,219,023	246,569

The Company is included in the Group's £42.3m pan-European non-recourse factoring facility with FactoFrance SAS. Certain trade receivables from UK, France, Germany, Poland and Netherlands are sold to FactoFrance SAS. The facility was drawn to £25.8m as at 31 December 2019 (2018: £28.9m). The facility maturity date is 1 May 2023.

In 2018, the Group renegotiated with FactoFrance SAS for a non-recourse factoring facility, taking into consideration IFRS 9 with respect to the recognition of financial assets and financial liabilities in the Group's financial statements.

Amounts owed to group undertakings are unsecured and interest is charged on a floating rate basis. The rates are linked to the relevant currency LIBOR (zero floor) (or equivalent) for the currency of each loan, and an appropriate margin is added. Amounts owed to group undertakings are not repayable on demand.

12 Creditors: amounts falling due after more than one year (continued)

Finance leases are repayable as follows:

	2019 £	2018 £
Within one year (see note 11)	-	2,876
	-	2,876

13 Provisions for liabilities

Restructuring and reorganisation	Restructuring and reorganisation £	Deferred tax liability £	Total provisions £
At 1 January 2018	57,947	105,099	163,046
Utilised in the year	(20,042)	(22,330)	(42,372)
At 31 December 2018	37,905	82,769	120,674
Charge in the year	-	44,970	44,970
Utilised in the year	(37,905)	-	(37,905)
At 31 December 2019	-	**127,739**	**127,739**

Provision movements during the year were in respect of property related items.

The deferred tax liability of £127,739 (2018: £82,769) is in respect of accelerated capital allowances.

Deferred tax liability (see above)	**£**
Balance at 1 January 2019	82,769
Current year credit	78,810
Adjustments to deferred tax in respect of prior years	(25,544)
Deferred tax – current year impact of change in the UK tax rate	(8,296)
Balance at 31 December 2019	**127,739**

14 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
12,500,000 (2018: 12,500,000) ordinary shares of £1 each	**12,500,000**	12,500,000

15 Reserves

	Cash flow hedging reserve £	Share premium account £	Profit and loss account £
At 1 January 2018	25,437	250,000	41,517,301
Movement in cash flow hedging reserve	(2,814)	-	-
Profit for the financial year	-	-	6,250,776
At 31 December 2018	22,623	250,000	47,768,077
Movement in cash flow hedging reserve	15,607	-	-
Profit for the financial year	-	-	8,730,731
At 31 December 2019	**38,230**	**250,000**	**56,498,808**

16 Capital commitments

The Company had commitments of £57,251 (2018: £230,000) for capital expenditure contracted for, but not provided, at year end.

17 Contingent liabilities

The Company has given guarantees to its bankers in respect of advances to certain group undertakings. The directors are of the opinion that no liability is likely to arise on the part of the Company in respect of these guarantees.

18 Future minimum lease payments

The Company leases various offices, warehouses, equipment and vehicles under non-cancellable leases expiring within six months to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Extension options (or periods after termination options) are included in the lease term if the lease is reasonably certain to be extended (or not terminated).

From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 8 and note 22 for further information. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The Company has future minimum lease payments in respect of non-cancellable leases expiring as shown:

	Property		**Plant and machinery**	
	2019	2018	**2019**	2018
	£	£	**£**	£
Within one year	**782,529**	771,175	**144,495**	152,844
Between one and five years	**3,130,117**	2,898,243	**456,625**	423,266
After five years	**6,428,031**	2,115,536	-	-
Total gross payments	**10,340,677**	5,784,954	**601,120**	576,110
Impact of finance expenses	**(3,916,052)**	-	**(170,671)**	-
Carrying amount of the liability	**6,424,625**	5,784,954	**430,449**	576,110

19 Pension arrangements

The Company participated in one defined benefit scheme and one defined contribution scheme in 2019. The defined benefit scheme, accounted for by the Company's immediate parent undertaking, Vita (Group) Unlimited, continued to operate for existing members until 20 November 2015, when it was closed to future accrual of benefits and the members were invited to join the defined contribution scheme.

The preliminary 31 March 2016 actuarial valuation of the defined benefit scheme has been updated at 31 December 2019 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS 19R 'Employee benefits'. Investments have been valued, for this purpose, at fair value.

The defined benefit scheme was in surplus at the start of the year and at the end of the year. As the scheme is closed to new entrants then there is a restriction to the surplus that is recognised in the balance sheet. In addition, Vita (Group) Unlimited has adopted IFRS IC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' and, therefore, recognises the liability based on the present value of future deficit reduction contributions, which are now nil, following the payment of a lump sum of £21.9m in November 2017.

During 2019, the balance of the debt instruments was transferred to an insurance company, Aviva Life & Pensions (UK) Limited (Aviva), and is held under an insurance policy. Aviva, together with the Group's UK actuary, Mercer Limited, are currently undertaking an exercise in readiness for the scheme's pension benefit obligations to be transferred to Aviva. On completion, the Group intends to wind up the UK scheme.

The defined benefit scheme at 31 December 2019 had a surplus of £0.1m (2018: £85.5m) excluding deferred tax. The pension charge for the Company for the year was £nil (2018: £nil).

The pension charge for the year for the defined contribution scheme was £433,320 (2018: £354,988).

20 Related party transactions

The Company has taken advantage of the exemption under paragraph 3(C) from the provisions of IAS 24, 'Related Party Disclosures', from disclosing related party transactions with fellow Group companies on the grounds that throughout the year it was a wholly owned subsidiary of a group headed by the Vita (Lux III) S.àr.l., whose financial statements are publicly available. There were no other related party transactions.

21 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Vita (Group) Unlimited.

Vita (Lux III) S.àr.l. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements may be obtained from 15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg.

The Company's ultimate controlling party is Strategic Value Partners, LLC or its affiliates Strategic Value Special Situations Master Fund III, LP, Strategic Value Opportunities Fund, LP, and Strategic Value Special Situations Master Fund IV, LP, all of which are partnerships located in the Cayman Islands. The ultimate parent company is Vita Global Holdings Limited.

22 Change in accounting policy

This note explains the impact of the adoption of IFRS 16 'Leases' on the Company's financial statements.

As indicated in note 8, the Company has adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed on page 13 and 14.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were:

Car fleet	3.51%
Expensive car fleet	4.01%
Plant and machinery	3.44%
Property	7.12%

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset (£5,201) and lease liability immediately (£nil) before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments of £nil for residual value guarantees and £nil for variable lease payments based on an index or rate. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Practical expedients applied:
In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, recognised as an expense in the profit or loss on a straight-line basis over the period of the lease,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

22 Change in accounting policy (continued)

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 'Determining whether an Arrangement contains a Lease'.

i) Measurement of lease liabilities

	1 January 2019
	£
Operating lease commitments disclosed as at 31 December 2018	6,361,064
Discounted using the lessee's incremental borrowing rates at the date of initial application	5,093,841
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short-term leases not recognised as a liability	(14,313)
(Less): low value leases not recognised as a liability	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	2,132,155
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	52,161
Lease liability recognised as at 1 January 2019	**7,263,844**

Of which are:	
Current lease liabilities	917,703
Non-current lease liabilities	6,346,141
	7,263,844

ii) Measurement of right-of-use assets

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments or onerous lease provisions relating to that lease recognised in the balance sheet as at 31 December 2018.

iii) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment – decrease by £5,201
- right-of-use assets – increase by £7,269,045
- lease liabilities – increase by £7,263,844.

The net impact on retained earnings on 1 January 2019 was £nil.

23 Subsequent events

No event has occurred subsequent to the year end, which would have a material impact on the annual financial statements as at 31 December 2019, with the exception of the COVID-19 pandemic ("the pandemic").

As a result of the pandemic, the UK, where most of the Company's business is conducted, has seen increased uncertainty and market turmoil. Widespread population movement control and disruption to normal economic activity has adversely impacted the Company's business operations. The Company relies on inter-company liquidity support from its parent and fellow subsidiary companies ("the Group"). The Group has more than sufficient liquidity headroom to manage its normal day-to-day business and has undertaken scenario analysis to model base and downside cases, which have been updated across the first half of financial year 2020. Based on these assessments, management believe that the Company and Group will have sufficient liquidity to meet their obligations as they fall due in both base and downside scenarios.