FUERST DAY LAWSON (U.S.A.) LIMITED

Annual report and financial statements
for the year ended 31 December 2019

Registered number: 01867013

FUERST DAY LAWSON (U.S.A.) LIMITED

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Principal activity and review of the business

The Company is a wholly-owned subsidiary within the FDL group (the "FDL Group"). The FDL Group comprises the directly and indirectly owned subsidiaries of FDL Holdings Limited.

The principal activity of Fuerst Day Lawson (U.S.A.) Limited (the "Company") is the sale of specialist raw materials. The directors are not aware, at the date of this report, of any likely changes in the Company's activities in the next year.

On 18 February 2016, Highlander Partners, L.P., a leading middle market private investment firm based in Dallas, Texas, acquired the FDL Group in partnership with existing management.

Revenue for the year decreased by 34.5% to £12.7 m (2018: £19.4 m). Profit before tax decreased by 108% to a loss of £0.2m (2018: £2.46 m).

Turnover decreased and overall gross margin reduced by 9%. Whilst the economic climate continues to herald some uncertainty for the future, present indications are that the Company is well placed to tackle the various challenges that 2020 will likely bring.

The Company's results for the period are set out in the statement of profit and loss on page 10 and related notes. The Company's shareholder funds increased by 3% to £5.41 m (2018: £5.25 m), its financial position is set out in the statement of financial position on page 12 and related notes.

Principal risks and uncertainties

The Company's operations expose it to a variety of risks and uncertainties, which include:

- credit risk in ensuring that payments from customers are received in full and on a timely basis; and
- market risk driven by volatility in raw material prices often caused by unpredictable weather or other significant changes in supply or demand.
- FDL's exposure to a portion of its customer base that serves the food service sector and the impact of temporary closures of certain restaurants and stores in the sector, bought about by the Coronavirus pandemic

The Company has therefore taken appropriate steps to manage and control these risks, which include:

- agreeing appropriate payment terms with customers including, where necessary, payment in advance or by securing payment through bank letters of credit;
- taking a proactive role in ensuring that the Company's systems and procedures are adapted to ensure compliance with new or changing legislative or regulatory requirements; and
- ensuring that purchases of raw materials are based upon a clear recognition of the risks involved and where appropriate inventory balances are held as a hedge against possible delays in supplier performance.
- continuing to serve a broad portfolio of customers and markets, which has helped to mitigate the impact of the Coronavirus pandemic. While the Company's profit margins have been impacted by reduced sales in the food sector, the company remains a going concern.

The decision made by the United Kingdom to leave the European Union, or 'Brexit' as it has become known, means that FDL will need to plan for the challenges that this decision may bring.

In order to ensure that our business is protected from the potential risks associated with leaving the EU, the Company will need to put into effect a number of strategies which will mitigate these risks to ensure the strongest possible outcome for our Company.

Inevitably there is still a great deal of uncertainty as to the type of Brexit that will take place and therefore our mitigating measures are intended to allow for a degree of flexibility but are broadly the following:

- Consideration on establishing an EU entity
- Ensuring that sufficient inventory is held to counter supply chain disruption
- Holding higher levels of inventory in bond until final destination is determined
- Building on closer ties with our customers logistics to reduce supply chain disruption

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Strategic report
Financial statements for the year ended 31 December 2019

- Monitoring closely the effect of leaving the EU on REACH regulations and continued compliance.

The Company has a Compliance and Risk Management team that is empowered to ensure that risk management is being implemented effectively.

Approved by the Board of Directors
and signed on behalf of the Board

C. J. Coulson
Secretary

25 September 2020

Directors' report
For the year ended 31 December 2019

The directors present their annual report, together with the financial statements and auditor's report, for the year ended 31 December 2019.

Results and dividends

The loss for the year after taxation amounted to £0.2 m (2018: £1.9 m). The directors do not recommend the payment of a dividend for the period (2018: £nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and directors report. The financial position of the Company's, liquidity position and borrowings are set out in the financial statements.

The Directors, at the time of approving the financial statements and, after assessing the principal risks, have considered the impact of a severe but plausible downside scenario for COVID-19, with the major variables being the depth and duration of COVID-19 and the extent of action taken by governments in the jurisdictions in which Company operates.

The Directors considered the impact of the current COVID-19 environment on the business for the next 12 months from September 2020.

Whilst the situation continues to evolve, making forecasting beyond nearby demand difficult to predict, the Directors have considered several variables which may impact revenue, profits and cash flow. The business serves several market sectors with varying degrees of exposure to the current crisis, with some impacted more severely than others. Revenues from the food service sector have been particularly impacted in the first half of 2020, with almost all coffee shops, pubs and restaurants in the Company's major markets being closed for a significant period.

The Company has continued to operate its food manufacturing sites, albeit at a reduced level of staffing, utilising the UK Government's furlough scheme where possible, while maintaining a degree of productivity to meet demand. Other sectors of business have experienced little or no significant impact and are on track to meet expectations set before the crisis escalated.

Uncertainty remains over the near-term economic climate and the degree of impact on revenue, profit and cash flow. With this in mind, the Company has implemented contingency plans to reduce indirect costs and has also delayed implementation of non-essential capital projects in order to preserve cash and maintain financial flexibility.

The Company has modelled various scenarios for business performance through 2021, based on significantly reduced sales volumes of the various sectors depending on exposure and likely impact. Assumptions include an average overall reduction in turnover of approximately 25% for the second half of 2020, based on actual performance in the year to date. The Company expects a gradual recovery in 2021 to 85% of pre-Coronavirus expectations and also stressed the level of working capital, based on an extension of customer payment terms, accelerated payments terms to key suppliers to secure supply, and a need to hold more stock nearby.

The revenue and operational impact of such volume reductions across Company's operations is expected to have a negative impact on profitability. The Directors believe that the Company is well placed to manage its financing and other business risks satisfactorily and have adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements.

The Company meets its day-to-day working capital requirements through committed banking facilities. The Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

FUERST DAY LAWSON (U.S.A.) LIMITED

Directors' report
For the year ended 31 December 2019

The Directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and accounts.

Directors

The Directors who served throughout the period and to the date of signing except as noted, were as follows:

M Mardi	- resigned 7 February 2020
E Beatty	- appointed 24 June 2020
G N Humphry-Baker	- resigned 3 September 2019
G S Elwin	
S A Baseley	
J L Hull	
M R Nicolais	- resigned 5 August 2019
C C Thomas	

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

The indemnity is in place for the directors or this Company and the directors of all associated companies.

Financial risk management

Financial risk management policies are outlined in the strategic report prepared by FDL Holdings Limited (registered number 09994468), the Company's ultimate parent company.

Future developments

The directors expect the general level of activity to continue in the forthcoming year. That being said, the Company faces continued uncertainty in 2020 driven by COVID-19 and its impact on the food service sector. The Company remains committed to its current strategy and focus on core sectors of the company's business. The Company aims to continue its strategy of building on its current customer growth plans.

The Company continues to monitor closely events outside its control to ensure the best outcome for its future. Events such as Brexit, changes in trade tariffs and new legislation affecting products are all managed to mitigate any significant impact to the Company's future prosperity.

Events after the balance sheet date

Mac Mardi (CEO) resigned his position from the Group and all its subsidiaries on the 6 February 2020.

Eric Beatty was appointed the new CEO of the FDL Group on the 24 June 2020.

Auditor

Each person who is a director of the Company at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

Directors' report
For the year ended 31 December 2019

- each of the directors has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor.

Approved by the Board of Directors
and signed on behalf of the Board

C. J. Coulson
Secretary
25 September 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 "Reduced Disclosure Framework". 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 and loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

FUERST DAY LAWSON (U.S.A.) LIMITED

Independent auditor's report

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fuerst Day Lawson (U.S.A) Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit and loss;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

FUERST DAY LAWSON (U.S.A.) LIMITED

Independent auditor's report

Independent auditor's report (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report

Independent auditor's report (continued)

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Richard Howe, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 25 September 2020

FUERST DAY LAWSON (U.S.A.) LIMITED

Statement of profit or loss
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Revenue	5	12,716,277	19,426,180
Cost of sales		(11,174,157)	(15,275,671)
Gross profit		**1,542,120**	**4,150,509**
Administrative expenses		(1,350,000)	(1,350,000)
Operating profit		**192,120**	**2,800,509**
Finance costs	7	1,424	(1,200)
Share based payment	13	(395,486)	(334,476)
(Loss)/profit before taxation		**(201,942)**	**2,464,833**
Tax	8	(36,491)	(529,917)
(Loss)/profit for the financial year attributable to owners of the Company	9	**(238,433)**	**1,934,916**

Revenue and operating profit are all derived from continuing operations.

FUERST DAY LAWSON (U.S.A.) LIMITED

Statement of comprehensive income
For the year ended 31 December 2019

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
(Loss)/profit for the year	(238,433)	1,934,916
Items that will not be reclassified subsequently to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year net of tax	-	-
Total comprehensive income for the year attributable to the owners of the Company	(238,433)	1,934,916

FUERST DAY LAWSON (U.S.A.) LIMITED

Statement of financial position
As at 31 December 2019

	Note	At 31 December 2019 £	At 31 December 2018 £
Current assets			
Inventories	10	2,151,687	4,324,859
Trade and other receivables	11	9,335,206	7,161,870
Current tax receivable	8	97,766	-
Cash and bank balances		114,980	120,358
Total assets		11,699,639	11,607,087
Current liabilities			
Trade and other payables	12	(6,288,635)	(5,973,579)
Current tax liabilities	8	-	(379,557)
Total liabilities		(6,288,635)	(6,353,136)
Net assets		5,411,004	5,253,951
Equity			
Share capital	16	1,000	1,000
Equity settled employee benefit reserve	13	1,093,663	698,177
Retained earnings		4,316,341	4,554,774
Equity attributable to owners of the Company		5,411,004	5,253,951

The financial statements of Fuerst Day Lawson (U.S.A.) Limited (registered number 01867013) were approved by the board of directors and authorised for issue on 25 September 2020. They were signed on its behalf by:

E. Beatty
Director

FUERST DAY LAWSON (U.S.A.) LIMITED

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

	Share capital £	Equity Settled employee benefit reserve £	Retained earnings £	Total £
Balance at 1 January 2018	**1,000**	**363,701**	**2,619,858**	**2,984,559**
Profit for the year	-	-	1,934,916	1,934,916
Other comprehensive income for the year	-	-	-	-
Recognition of share based payment	-	334,476	-	334,476
Total for the year	-	334,476	1,934,916	2,269,392
Balance at 31 December 2018	**1,000**	**698,177**	**4,554,774**	**5,253,951**
Profit for the year	-	-	(238,433)	(238,433)
Other comprehensive income for the year	-	-	-	-
Recognition of share based payment	-	395,486	-	395,486
Total for the year	-	395,486	(238,433)	157,053
Balance at 31 December 2019	**1,000**	**1,093,663**	**4,316,341**	**5,411,004**

Notes to the financial statements
For the year ended 31 December 2019

1. General information

Fuerst Day Lawson (U.S.A) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Metropolitan Wharf, 70 Wapping Wall, London, E1W 3SS.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of FDL Holdings Limited. The group accounts of FDL Holdings Limited are available to the public and can be obtained as set out in note 18.

2. Adoption of new and revised standards

a) Amendments to IFRS's that are mandatorily effective for the current year .

IFRS 16	*Leases* [1]
IFRIC 23	*Uncertainty over Income Tax Treatments* [1]
IFRS 9 (amendment)	*Prepayment Features with Negative Compensation* [1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Annual Improvements to Standards 2015–2017 Cycle	*Annual Improvements to IFRSs: 2015-17 Cycle* [1]
IAS 19	*Plan Amendment, Curtailment or Settlement* [1]

[1] Effective for annual periods beginning on or after 1 January 2019.

IFRS 9 (amendment) Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

3. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, share-based payments and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of FDL Holdings Limited.

The financial statements have been prepared on the historical cost basis, except for the financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

3. **Significant accounting policies (continued)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 1 and the Directors' Report on pages 3 to 5.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary assets and liabilities are recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Sale of goods</u>

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

- the Company has identified the contract with the customer;
- the performance obligations are determined within the contract;
- the transaction price is determined;
- the allocation of the transaction price to the performance obligations within the contract; and
- revenue is recognised when the Company satisfies the performance obligations defined in the contract.

Rebates to customers are recognised at the date of sale which is when control passes to the customer.

3. **Significant accounting policies (continued)**

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

The Company participates in a group defined benefit scheme which is the legal responsibility of Fuerst Day Lawson Holdings Ltd, the immediate parent company, as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost in accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the income statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are recognised on the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured as fair value.

All financial assets are recognised and derecognised on the trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through the profit and loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

3. **Significant accounting policies (continued)**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Cash and cash equivalents carried at amortised cost consists of cash at bank in hand. Cash at bank and in hand and short-term bank deposits are shown under current assets on the Consolidated Statement of Financial position.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group does not hold 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

From the 1 January 2018, the Group assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost or FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial instruments' which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred

3. Significant accounting policies (continued)

financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are recognised on the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured as fair value.

All financial liabilities are recognised and derecognised on the trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

For liabilities measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Debt instruments:
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured as FVOCI. The Group have no debt instruments measured at FVOCI.

FUERST DAY LAWSON (U.S.A.) LIMITED

Notes to the financial statements
For the year ended 31 December 2019

3. **Significant accounting policies (continued)**

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a dent investment that is subsequently measured at FVPL. A gain or loss on a debt investment in the Consolidated Income Statement.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Notes to the financial statements
For the year ended 31 December 2019

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

There are no key assumptions concerning the future, nor key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Revenue

An analysis of the company's revenue is as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Sales of goods	12,716,277	19,426,180
	12,716,277	19,426,180

6. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Administration and Sales	14	14
	14	14

Their aggregate remuneration comprised:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Wages and salaries	624,578	647,254
Social security costs	76,948	73,797
Other pension costs	7,343	5,710
	708,869	726,761

The directors of the Company were not entitled to any remuneration for their services to the Company for the year ended 31 December 2019 (2018: £nil).

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Notes to the financial statements
For the year ended 31 December 2019

7. Net finance (cost)

	At 31 December 2019 £	At 31 December 2018 £
Interest payable and similar charges on bank loans and overdrafts	-	(1,327)
Interest receivable and similar income	1,424	127
Current tax liability	1,424	(1,200)

8. Tax

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Corporation tax:		
UK corporation tax	36,527	536,181
Adjustments in respect of prior years		
- UK corporation tax	(36)	26
	36,491	536,207
Double taxation relief	(7,958)	(4,312)
Total UK corporation tax charge	28,533	531,895
Foreign tax (credit)/charge on income for the year	7,958	(1,978)
	36,491	529,917

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

As enacted in the Finance Act 2020, the standard rate of corporation tax in the UK from 1 April 2020 will remain at 19% rather than the previously enacted reduction to 17%. The cancellation of the reduction in future tax rate has no significant impact on the taxation charge of the Company for the period ended 31 December 2019.

8. Tax (continued)

The charge for the year can be reconciled to the profit in the income statement as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit before tax	(201,942)	2,464,833
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	(38,369)	468,318
Growth shares	75,142	63,551
Adjustments recognised in current period that relate to the taxation of prior periods	(282)	(1,952)
Tax expense for the year	36,491	529,917

	At 31 December 2019 £	At 31 December 2018 £
UK Corporation tax receivable/ (payable)	97,766	(379,557)
Current tax asset/(liability)	97,766	(379,557)

9. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Fee's payable to the Company's auditor for:		
- audit of annual accounts	22,859	13,921

Notes to the financial statements
For the year ended 31 December 2019

10. Inventories

	At 31 December 2019 £	At 31 December 2018 £
Raw materials for resale and for production	2,151,687	4,324,859
	2,151,687	4,324,859

11. Trade and other receivables

	At 31 December 2019 £	At 31 December 2018 £
Amount receivable for the sale of goods	665,613	2,438,845
Amounts owed by group undertakings	8,669,593	4,723,025
Amounts falling due within one year	9,335,206	7,161,870

12. Trade and other payables

	At 31 December 2019 £	At 31 December 2018 £
Trade payables	1,555,882	2,698,048
Amounts owed to group undertakings	4,732,753	3,275,531
Amounts falling due within one year	6,288,635	5,973,579

13. Share-based payment

On 21 November 2016 the Group issued 'A' shares to selected employees, share appreciation rights (SARs) that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The vesting period is four years. There is no right to fixed income, voting and no dividends or distribution unless and until the Share Hurdle has been met. The Company has recorded cumulative expense in the equity reserve, the cumulative cost is £1,093,663 and £698,177 in 2019 and 2018 respectively.

On 11 December 2018 the Group issued 'B' shares to senior employees, SARs' which require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The vesting period is four years. There is no right to fixed income, voting and a reduced right to dividends or distribution unless and until the Share Hurdle has been met. As no shares have vested no liability was recorded at the 31 December 2018.

The exercise price of the granted shares is equal to the market price of the shares at the time of the award. The shares vest annually over the four years from the date of the award.

14. Financial instruments

Categories of financial instruments:

	At 31 December 2019 £	At 31 December 2018 £
Financial assets		
Cash and bank balances	114,980	120,358
Loans and receivables		
Trade and other receivables	665,613	2,438,845
Financial liabilities		
Held at amortised cost		
Trade and other payables	(1,555,882)	(2,698,048)

15. Contingent liabilities

The Company has entered into guarantees securing certain banking facilities of its parent company and fellow subsidiaries. The loans and overdrafts drawn down by other group companies in respect of such facilities amounted to £12,153,880 at 31 December 2018 (2018: £14,538,776).

The Company is a member of a VAT group in the United Kingdom and is jointly liable for the VAT liabilities of other FDL subsidiaries with the group. These liabilities at 31 December 2019 amounted to nil (2018: nil).

The Company has entered into an indemnity agreement with its bankers as at 31 December 2018, in respect of a guarantee to the US Customs Service $200,000 - £150,744 (2018: $200,000 - £157,079).

16. Share capital

At 31 December	2019 No.	2019 £	2018 No.	2018 £
Issued and fully paid:				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000

	£
At 1 January 2019	1,000
Issue of equity shares during the period	-
At 31 December 2019	1,000

The Company has one class of ordinary shares which carry no right to fixed income.

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Notes to the financial statements
For the year ended 31 December 2019

17. Related party transactions

During the year, the Company entered into the following trading transactions with related parties:

For the year ended 31 December	Sale of goods		Purchase of goods	
	2019	2018	2019	2018
	£	£	£	£
Fellow subsidiary undertakings:				
Fuerst Day Lawson Inc	1,302,522	1,534,106	-	-
Fuerst Day Lawson Limited	-	-	5,589	1,511,195
	1,302,522	1,534,106	5,589	1,511,195

Sales and purchases of goods to/from related parties were made cost price plus a 10% margin.

For the year ended 31 December	Service Charge Income		Service Charge Cost	
	2019	2018	2019	2018
	£	£	£	£
Fellow subsidiary undertakings:				
Fuerst Day Lawson Inc				
Sales agency charge	701,628	981,347	-	-
Fuerst Day Lawson Limited				
Management service charge	-	-	1,350,000	1,350,000
	701,628	981,347	1,350,000	1,350,000

The following amounts were outstanding at the statement of financial position date:

At 31 December	Service Charge Income		Service Charge Cost	
	2019	2018	2019	2018
	£	£	£	£
Parent undertakings:				
FDL Holdings Limited	-	-	-	-
FDL Acquisition No.1 Limited	-	-	-	-
FDL Acquisition No.2 Limited	-	-	-	-
Fuerst Day Lawson Holdings Limited	1,910,976	1,646,278	-	-
Fellow subsidiary undertakings:				
FDL Americas Limited	-	-	-	-
Fuerst Day Lawson Inc	-	-	4,732,753	3,275,531
Fuerst Day Lawson Limited	6,758,617	3,076,747	-	
Fuerst Day Lawson (India) Pvt Limited	-	-	-	-
Fuerst Day Lawson International Trade (Shanghai) Co. Ltd	-	-	-	-
	8,669,593	4,723,025	4,732,753	3,275,531

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Notes to the financial statements
For the year ended 31 December 2019

18. Controlling party

Throughout the year ended 31 December 2019 the Company's immediate parent company was Fuerst Day Lawson Holdings Limited, a company incorporated in United Kingdom and registered in England and Wales. On 18 February 2016, a majority holding in Fuerst Day Lawson Holdings Ltd and its subsidiaries was acquired by Highlander Partners, L.P., a private equity firm based in Dallas, Texas, U.S.A.

Copies of the consolidated group accounts for FDL Holdings Limited are available from Companies House, Crown Way, Cardiff CF14 3UZ..

At 31 December 2019, the ultimate controlling party was Laurence E. Hirsch of Dallas, Texas, U.S.A.

19. Events subsequent to the year-end

Mac Mardi (CEO) resigned his position from the Group and all its subsidiaries on the 6 February 2020.

Eric Beatty was appointed the new CEO of the FDL Group on the 24 June 2020.