

Faerch London Limited
(formerly Faerch Plast London Limited)

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

Registered Number: 2291152



Faerch London Limited
(formerly Faerch Plast London Limited)

Annual report and financial statements
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Faerch London Limited (formerly Faerch Plast London 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. The Company's registered number is 2291152.

Principal activities

The principal activity of the Company is the sale of plastic trays for the food industry.

Business review

During 2019 we continued to focus on developing the three key sectors of the business, which fully utilise the core competences and product offerings of the newly acquired and integrated businesses. CPET Evolve by Faerch was launched, alongside CPET ID, CPET+, Mapet II and Mono materials, providing positive solutions to concerns regarding plastics and relating environmental challenges continually reported in the UK press.

We continue the strategy of securing a large part of our business through long-term supply contracts, giving us greater stability over future years. Focus remains to increase market share by utilising the full product portfolio, by using our technologies and/or cost leadership – on CPET, FM Skin/Mapet II.

The Company's overall performance was in line with the target set by the parent company. Faerch London Ltd (formerly Faerch Plast London Limited) continued to maintain an exceptionally low staff turnover.

Future developments

With the UK leaving the EU, the retail sector still remains a significant challenge during 2020. Mono materials, will continue to provide positive solutions to concerns regarding plastics and relating environmental challenges. Faerch will continue its intention to exit all non-detectable colours including carbon black in the UK, due to the inability of the UK recycling infrastructure to effectively sort black plastic from the total UK waste stream. We initiated a pro-active downstream recycling strategy aligned to the key UK retailers, following the acquisition of 4PET Group, to become one of the world's first integrated packaging suppliers to achieve a circular economy for food trays on an industrial scale. With the recycling system and infrastructure offered by 4PET, we are able to sort and process disposed plastic trays of all colours, and transform them into raw material for new food contact products.

Key performance indicators ("KPIs")

Key financial performance indicators, monitored on an ongoing basis, are summarised below:

Indicator	2019 Year	2018 Year	% change
Turnover - £'000	81,206	69,928	16.1%
Operating profit - £'000	2,449	2,298	6.6%
Operating margin - %	3.0%	3.3%	(0.3)%
EBITDA ¹ - £'000	2,452	2,308	6.2%
EBITDA margin - %	3.0%	3.3%	(0.3)%
Working capital ² - %	11.3%	14.7%	(3.4)%
Employees	18	19	(5.3)%

¹ Earnings before interest, tax, depreciation and amortisation.

² Stock and trade receivables less trade payables as % of turnover.

Faerch London Limited (formerly Faerch Plast London Limited)

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

Section 172 Companies Act 2006 Statement

The directors must act in a way they consider would be most likely to promote the success of the Company for the benefit of its members as a whole and in so doing must have regard to the six matters set out in Section 172(1) as follows:

- a) The likely consequences of any decision in the long term
- b) The interests of the Company's employees
- c) The need to foster the Company's business relationships with suppliers, customers and others
- d) The impact of the Company's operations on the community and the environment
- e) The desirability of the Company maintaining a reputation for high standards of business conduct
- f) The need to act fairly as between members of the Company

The directors complied in all material respects with its Section 172 duties, which require the directors to have regard to the matters set out in Section 172(1) above. Various examples of action being taken with regards to the Section 172 matters are set out in the Strategic and Directors' reports. Further information is also available in the consolidated accounts of Faerch Group A/S (which can be obtained from Faerch A/S, Rasmus Faerchs Vej, 7500 Holstebro, Denmark).

The directors also highlight the following examples to support this Section 172 Statement:

a) The likely consequences of any decision in the long term

Faerch has established a special risk committee to manage and monitor the development of Brexit, including the impact of a possible "no-deal" Brexit.

b) The interests of the Company's employees

The Company places keeps employees informed on matters affecting them as employees and on the various factors affecting the performance of the Company through formal and informal meetings and regularly published briefing documents. In addition during 2019 employees participated in the celebrations of the Faerch Group's 50th anniversary in an event Denmark, bringing together teams from multiple countries across the Group.

c) The need to foster the Company's business relationships with suppliers, customers and others

Effective communication and engagement with suppliers, customers and others is important in maintaining the Company's reputation and success. The Company strives to communicate and engage with them on a regular basis, including through the Company's website.

d) The impact of the Company's operations on the community and the environment

The Company actively manages waste reduction, and has continued to grow the use of post-consumer recycled materials and products in the market place. During 2019, the Company launched a new product series, Evolve by Faerch. The trays are made from collected and recycled bottles and trays. No extra colour is added during recycling and production, therefore preserving its natural make-up. This ensures a unique look and guarantees that they are reliably detectable in sorting systems.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

The Company's governance program is designed to identify and prevent serious offences and criminal acts. Faerch Group has developed a whistleblower hotline in co-operation that can be used by business partners and employees to report suspicions or knowledge of unethical conduct and criminal acts. The whistle-blower hotline can be found on the Company's website.

f) The need to act fairly as between members of the Company

The Company is a fully owned subsidiary of the Faerch Group which publishes publicly available consolidated accounts.

Faerch London Limited (formerly Faerch Plast London Limited)

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

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risk affecting the Company is the current fast spread of the coronavirus across Europe, which has severely disrupted markets and created a state of emergency. Faerch has taken comprehensive measures to protect individuals' health and contribute to slowing down the spread of the virus. As a critical player in the food supply chain, Faerch has put in place robust contingency measures to ensure stable supply to food producers, retailers and other customers. Production sites across Europe are currently running at their full capacity to meet increased demand. Faerch has also built up safety stocks to ensure stable delivery for the food industry.

Following the decision of the United Kingdom to leave the European Union, there is unfortunately still a significant amount of uncertainty about the overall impact of Brexit. Faerch has established a special risk committee to manage and monitor the development of Brexit, including the potential impact of tariffs on materials imported from the EU. In 2020, Faerch will follow the development of the Brexit negotiations with the EU closely and prepare for the worst case scenario in the event of a 'no deal' scenario where no ratified agreement can be established between the United Kingdom and EU – meaning that the United Kingdom will trade with EU on World Trade Organization terms as of 1 January 2021.

Financial risk and management

The Company is subject to a number of financial risks, which are principally as follows:

Interest rate risk the Company is exposed to fluctuations in interest rates by virtue of its cash position within the group's cash pooling arrangements.

Foreign exchange risks the Company enters into normal transactions denominated in foreign currencies. The risks inherent in these transactions is considered relatively low as the time between inception and crystallisation is typically comparatively short.

Liquidity risk the Company is exposed to liquidity risk by way of its third party borrowings through its participation in the group cash pooling arrangements. The Company's cash flow forecasting procedures are designed to ensure that the Company operates with sufficient headroom on its available facilities.

Credit risk The Company's principal financial assets are bank deposits and cash and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Debt insurance exists and therefore the risk of loss on a default by a customer is considered to be small. The Company continually monitors customer credit risk through credit rating agencies and through its own market intelligence.

Going concern

These financial statements have been prepared on the going concern basis. The continued support of Faerch AS and the treasury arrangement with other Faerch group companies facilitate the Company being able to meet its liabilities as they fall due.

On the basis of their assessment of the Company's financial position, including financial forecasts for the 12 months subsequent to the date of signing the financial statements and the access to the Faerch group treasury function, the directors have reasonable expectations that the Company is well placed to manage its business risks and that the Company has adequate resources to continue in operational existence for the foreseeable future.

On behalf of the board.



Tom Sand-Kristensen

Director

9th October 2020

Faerch London Limited (formerly Faerch Plast London 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. The Company's registered number is 2291152.

Change of name

Faerch Plast London limited changed its name to Faerch London Limited on the 5th March 2019.

Results and dividends

The profit for the financial year amounted to £2,378,946 (2018: £1,686,398). No dividend was paid during the year as at the date of signing (2018: £nil). No dividend has been formally proposed by the directors (2018: £nil).

Future developments

The Company's disclosure of future developments has been presented within the strategic report on page 1.

Financial risk and management

The Company's disclosure of financial risks and their management has been presented within the strategic report on page 3.

Directors

The directors who served during the year and subsequently were as follows:

Jason Gale
Thomas Peter Vikkelso Tranders
Tom Sand-Kristensen

Engagement with Stakeholders

Effective communication and engagement with stakeholders (shareholders, customers, suppliers, employees and lenders) is important in maintaining the Company's reputation and success.

The Company strives to communicate and engage with stakeholders on a regular basis, including through the Company's website and internal intranet.

We have identified the following main engagement focus areas that are material to our business:

- Sustainable packaging - Lead the way in creating true circularity in food packaging.
- Food safety - Be the leader in methods and products, which protect food, extend shelf life and reduce food waste.
- Responsible operations - To minimise CO2 emissions from own activities.
- People and organisation - To secure workplace with focus on employee development.
- Business ethics - To ensure orderly and responsible business practice.

For each focus area, we have established a long-term level of ambition supported by actions. Further information is available in the consolidated accounts of Faerch Group A/S.

Environment

The Company recognises the importance of its environmental responsibilities and it actively manages waste reduction, and has continued to grow the use of post-consumer recycled materials and products in the market place.

The Company further seeks to minimise its carbon footprint through continued investment in energy efficient and state of the art equipment.

Faerch London Limited (formerly Faerch Plast London Limited)

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

Employee Involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and regularly published briefing documents. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. There are incentive schemes which all employees participate in and these schemes are regularly reviewed to ensure they offer rewards and benefits for achieving the goals and aims set by the Company.

Events after the end of the reporting period

In early 2020, the existence of new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across the United Kingdom and a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity. The Directors consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. As part of the company's ongoing review of going concern, the directors have reviewed the company's position in detail, including the impact of the recent outbreak of COVID-19 on the company's performance and no issues have been noted in respect of continued funding or the company's ability to continue as a going concern.

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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and 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 102, 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 group and company's auditors are aware of that information.

On behalf of the board


Tom Sand-Kristensen
Director

9th October 2020

Faerch London Limited (formerly Faerch Plast London Limited)

Independent auditors' report to the members of Faerch London Limited (formerly Faerch Plast London Limited)

Report on the audit of the financial statements

Opinion

In our opinion, Faerch London Limited (formerly Faerch Plast London 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Statement of financial position as at 31 December 2019; the Statement of income and retained earnings 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.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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.

Faerch London Limited (formerly Faerch Plast London Limited)

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.



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
9th October 2020

Faerch London Limited (formerly Faerch Plast London Limited)

Statement of income and retained earnings for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	2	81,206,087	69,927,780
Cost of sales		(59,591,219)	(47,299,875)
Gross profit		21,614,868	22,627,905
Administrative expenses		(19,165,806)	(20,329,697)
Operating profit	3	2,449,062	2,298,208
Interest receivable and similar income	6	-	622
Interest payable and similar expenses	7	(4,566)	(72,427)
Profit before taxation		2,444,496	2,226,403
Tax on profit	8	(65,550)	(540,005)
Profit for the financial year		2,378,946	1,686,398
Retained earnings brought forward		7,907,418	6,221,020
Retained earnings at the end of the year		10,286,364	7,907,418

All results relate to continuing operations.

Faerch London Limited (formerly Faerch Plast London Limited)

Statement of financial position as at 31 December 2019

	Note	2019 £	2018 (As restated) £
Fixed assets			
Tangible assets	9	10,807	6,584
Investments	10	20,000	20,000
		30,807	26,584
Current assets			
Debtors	11	45,741,763	47,831,180
Cash at bank and in hand		249	415
		45,742,012	47,831,595
Creditors: amounts falling due within one year	12	(35,402,278)	(39,866,584)
Net current assets		10,339,734	7,965,011
Total assets less current Liabilities		10,370,541	7,991,595
Net assets		10,370,541	7,991,595
Capital and reserves			
Called up share capital	14	75,000	75,000
Retained earnings	15	10,286,364	7,907,418
Capital reserve account	15	9,177	9,177
Total shareholders' funds	16	10,370,541	7,991,595

The notes on pages 15 to 23 form an integral part of these financial statements

The financial statements on pages 8 to 23 were approved by the board of directors on 9th October 2020 and signed on its behalf by:


Tom Sand-Kristensen
 Director

Registered number: 2291152

Faerch London Limited (formerly Faerch Plast London Limited)

Accounting policies

General information

The Company is a private limited by shares and registered in England. The address of its registered office is Waymark House, 19A Cedar Road, Sutton, SM2 5DA.

The principal activity of the Company is the sale of plastic trays for the food industry.

Statement of compliance

The financial statements of Faerch London Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention.

(b) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv);
- (iii) from disclosing the Company key management personnel compensation in total, as required by FRS 102 paragraph 33.7.

(c) Going concern

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have 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 annual financial statements.

(d) Related party disclosures

The Company has taken advantage of the exemption Section 33.1A of FRS 102 on the grounds that it is a wholly owned subsidiary of a group headed by Advent Capital Holdings Limited since August 2017, EQT VI Limited previously whose financial statements are publicly available.

(e) Basis of consolidation

The Company is a wholly owned subsidiary of Advent GPE VIII partnerships and is included in the consolidated financial statements of Advent GPE VIII partnerships which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes. The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Faerch London Limited (formerly Faerch Plast London Limited)

Accounting policies (continued)

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably. In most instances the Company recognises revenue when the products are dispatched to the customer.

(g) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the direct costs attributable to bringing the asset to its working condition for its intended use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in statement of income and retained earnings and included within the operating profit.

Depreciation is provided on all tangible fixed assets other than freehold land so as to write off the cost in equal instalments over their estimated useful lives. The following rates are used:

Fixtures and fittings - 3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(h) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of income and retained earnings, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of income and retained earnings.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of income and retained earnings.

Faerch London Limited (formerly Faerch Plast London Limited)

Accounting policies (continued)

(i) Operating leases

Rental charges under operating leases are charged to the statement of income and retained earnings on a straight line basis over the term of the lease.

(j) Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

Transactions and balances

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings.

(k) Investments in subsidiary companies

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(l) Taxation

Taxation comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided using the tax rates and laws that have been enacted or substantially enacted at the reporting date on the excess of taxable income and allowable expenses.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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 substantively enacted by the reporting date. Deferred tax is measured on an undiscounted basis.

Faerch London Limited (formerly Faerch Plast London Limited)

Accounting policies (continued)

(m) Employee benefits

The Company provides a range of benefits to employees, including defined contribution pension plans.

Short term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the Company.

Pension costs

The Company makes contributions, on a defined contribution basis, to personal pension schemes on behalf of certain employees. The amount charged to the profit and loss account in respect of pension costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

(n) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Faerch London Limited (formerly Faerch Plast London Limited)

Accounting policies (continued)

(n) Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Offsetting

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

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

(p) Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company sells to customers on a range of different credit terms. There is a risk that due to insolvency some customer debt will not be paid. As a result it is necessary to consider what level of provision is required against potential bad debts. When calculating this provision management considers the aging of debt, payment history, external credit rating and the trading performance of the customer.

The directors deem that there are no critical accounting judgements that have been made in the preparation of these financial statements.

Faerch London Limited (formerly Faerch Plast London Limited)

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

1 Prior Year Adjustments

Following a review of the financial statements at 31 December 2018 a number of accounting corrections were identified to be compliant with FRS 102 presentation of financial statements and be consistent with fellow subsidiaries. These have the following impact on previously reported figures:

	As Previously Reported £	Adj 1 £	Adj 2 £	As Restated £
Balance Sheet as at 31 December 2018				
Debtors – amounts owed by group undertakings	29,151,862	6,345,086		35,496,948
Debtors – trade debtors	18,530,372	(6,345,086)		12,185,286
Creditors - trade creditors	1,929,098		(1,303,987)	625,111
Creditors - accruals and deferred income	118,183		1,303,987	1,422,170

Adjustment 1) – an adjustment was made to the balance sheet as at 31 December 2018 to reclassify invoice discounting carried out on the Company's behalf by a fellow subsidiary as a reduction in trade debtors with a corresponding adjustment to debtors - amounts owed by group undertakings. The adjustment was made to increase the accuracy of reporting.

Adjustment 2) – an adjustment was made to the balance sheet as at 31 December 2018 to reclassify rebates due to customers from trade creditors to accruals and deferred income. The adjustment was made to increase the accuracy and clarity of reporting.

All the adjustments made have no impact on net assets as at 31 December 2018 or profit for the year ended 31 December 2018.

2 Turnover

The turnover of the Company is attributable to the principal activity of the Company, undertaken in the United Kingdom, namely the marketing and sale of packaging material and products. An analysis of turnover by destination is given below:

	2019 £	2018 £
United Kingdom	73,508,856	63,416,581
Europe	7,675,005	6,511,199
USA	22,226	-
	81,206,087	69,927,780

Faerch London Limited (formerly Faerch Plast London Limited)

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

3 Operating profit

	2019	2018
	£	£
Operating profit is stated after charging:		
Depreciation	2,702	9,907
Operating lease rentals payable in respect of land and buildings	61,979	68,110
Auditors' remuneration	12,000	7,000

4 Directors and employees

The average monthly number of employees of the Company during the year was:

	2019	2018
By activity	Number	Number
Sales	16	17
Administration	2	2
	18	19

Directors and employees

The analysis of staff costs during the year is as follows:

	2019	2018
	£	£
Wages and salaries	792,317	829,294
Social security costs	95,083	116,208
Other Pension costs	70,167	65,365
	957,567	1,010,867

5 Directors' emoluments

	2019	2018
	£	£
Aggregate directors' emoluments	150,918	117,916
Company contributions to money purchase pension schemes	17,978	17,687
	168,896	135,603

Retirement benefits are accruing to one (2018: one) directors under money purchase pension schemes.

Faerch London Limited (formerly Faerch Plast London Limited)

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

6 Interest receivable and similar income

	2019	2018
	£	£
Bank interest receivable	-	622

Interest receivable is generated from participation in the group's cash pooling arrangements.

7 Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	4,566	72,427

Interest payable is generated from participation in the group's cash pooling arrangements.

8 Tax on profit

	2019	2018
	£	£
Current tax		
UK corporation tax on profit for the year	-	365,435
Adjustments in respect of prior years	65,846	173,595
Total current tax	65,846	539,030
Deferred tax		
Origination and reversal of timing differences	758	1,090
Change in tax rates	(974)	-
Adjustments in respect of prior years	(80)	(115)
Total deferred tax (note 13)	(296)	975
Tax on profit	65,550	540,005

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

Faerch London Limited (formerly Faerch Plast London Limited)

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

8 Tax on profit (continued)

The differences are explained below:

	2019 £	2018 £
Profit before tax	2,444,496	2,226,403
Profit multiplied by standard rate of corporation tax in the UK of 2019: 19% (2018: 19%)	464,454	423,017
Effects of:		
Expenses not deductible for tax purposes	2,286	15,211
Effect of group relief not paid for	(466,876)	(71,703)
Impact of change in the tax rates	(80)	-
Adjustments in respect of prior years	65,766	173,480
Total tax charge for the year	65,550	540,005

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

There are no other factors expected to materially affect the tax charge in future years.

Faerch London Limited (formerly Faerch Plast London Limited)

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

9 Tangible assets

	Fixtures and fittings £	Total £
Cost at 1 January 2019	111,686	111,686
Additions	6,925	6,925
At 31 December 2019	118,611	118,611
Accumulated depreciation		
At 1 January 2019	105,102	105,102
Charge for the year	2,702	2,702
At 31 December 2019	107,804	107,804
Net book amount		
At 31 December 2019	10,807	10,807
At 31 December 2018	6,584	6,584

10 Investments

	Shares in subsidiary undertaking £
Cost	
At 1 January 2019 and 31 December 2019	20,000
Net book value	
At 31 December 2019	20,000
At 31 December 2018	20,000

The Company has 100% investments in the following subsidiary undertakings:

Subsidiary undertakings	Country of incorporation	Registered number	Registered address	Principle activity	Holding	%
FP1988UK	England	02307443	Waymark House 19A Cedar Road Sutton SM2 5DA	Let on lease	Ordinary shares of 1p	100%

The directors believe that the carrying value of the investments supported by their underlying net assets.

Faerch London Limited (formerly Faerch Plast London Limited)

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

11 Debtors

	2019	2018 (As restated)
Trade debtors	12,121,751	12,185,286
Amounts owed by group undertakings	32,942,359	35,496,948
Other debtors	31,280	104,346
Corporation tax	583,064	-
Deferred tax (note 13)	5,646	5,350
Prepayments and Accrued income	57,663	39,250
	45,741,763	47,831,180

Refer to Note 1 regarding the restatement to 2018 balances.

Amounts owed by group undertakings are unsecured, have no fixed date of repayment, are not interest bearing and are repayable on demand.

12 Creditors: amounts falling due within one year

	2019	2018 (As restated)
Trade creditors	484,149	625,111
Amounts owed to group undertakings	27,975,566	33,530,271
Corporate tax	-	365,251
Other taxation and social security	4,397,420	3,923,781
Accruals and deferred income	2,545,143	1,422,170
	35,402,278	39,866,584

Refer to Note 1 regarding the restatement to 2018 balances.

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

Faerch London Limited (formerly Faerch Plast London Limited)

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

13 Deferred Tax

Deferred taxation as at 31 December 2019 is analysed below:

	2019	2018
	£	£
Excess of accelerated capital allowances over depreciation	5,646	5,350

The movement on the deferred tax provision is as follows:

	£
Balance at 1 January 2019	5,350
Credited to the income statement (note 8)	296
Balance at 31 December 2019	5,646

14 Called up share capital

	2019	2018
	£	£
Authorised		
100,000 (2018: 100,000) ordinary shares of £1 each	100,000	100,000
Allotted, issued and fully paid		
75,000 (2018: 75,000) ordinary shares of £1 each	75,000	75,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

15 Reserves

	Retained Earnings	Capital reserve account
	£	£
At 1 January 2019	7,907,418	9,177
Profit for the financial year	2,378,946	-
At 31 December 2019	10,286,364	9,177

Faerch London Limited (formerly Faerch Plast London Limited)

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

16 Reconciliation of movement in shareholders' funds

	2019	2018
	£	£
Opening shareholders' funds	7,991,595	6,305,197
Profit for the financial year	2,378,946	1,686,398
Closing shareholders' funds	10,370,541	7,991,595

17 Pensions

The Company makes contributions, on a defined contribution basis, to personal pension schemes on behalf of certain employees. The amount charged to the income statement in respect of pension costs is the contributions payable in the year, totalling £70,167 (2018: £65,365).

18 Operating lease commitments

At 31 December the Company had future minimum lease payments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2019	2018
	£	£
Within one year	95,726	115,847
Later than one year and not later than five years	153,409	229,410
Later than five years	-	-
Total commitments	249,135	345,257

19 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking was FPH 2017 Limited as at 31 December 2019.

The Company's ultimate parent, controlling party and the largest group of undertaking to consolidate these financial statements as at 31 December 2019 is Advent GPE V111 partnerships. The consolidated financial statements of Advent GPE V111 partnerships are available from Advent GPE V111 partnerships, c/o Advent International Corporation, 75 State Street, 29th Floor, Boston, MA 02109, USA.

Faerch A/S is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2019. The consolidated financial statements of Faerch A/S can be obtained from Faerch A/S, Rasmus Faerchs Vej, 7500 Holstebro, Denmark.

Faerch London Limited (formerly Faerch Plast London Limited)

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

20 Events after the end of the reporting period

In early 2020, the existence of new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across the United Kingdom and a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity. The Directors consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. As part of the company's ongoing review of going concern, the directors have reviewed the company's position in detail, including the impact of the recent outbreak of COVID-19 on the company's performance and no issues have been noted in respect of continued funding or the company's ability to continue as a going concern.