

Finlay Hull Limited

Annual report and financial statements

Registered number 04950055

31 December 2018



Finlay Hull Limited

Annual report and financial statements

Registered number 04950055

31 December 2018

Contents

Strategic report	1
Directors' report	2
Statement of directors' responsibilities in respect of the annual report and the financial statements	3
Independent auditor's report to the members of Finlay Hull Limited	4-5
Statement of Profit and Loss and Other Comprehensive Income	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes	9-18

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Business review

The principal activity of the company is the decaffeination of tea. The Directors do not envisage any change in the nature of the company's business in the foreseeable future. The business achieved higher sales volume than the previous year but is still in a highly competitive bespoke market with a current oversupply of production.

The company's key financial and other performance indicators during the year were as follows:

	2018 £'000	2017 £'000	Change %
Company turnover	6,338	5,259	21%
Gross profit	655	485	35%
Total operating loss	(138)	(270)	49%
Shareholders' deficit	(2,188)	(1,998)	(9%)
Average number of employees	39	41	(5%)
Gross profit as % of turnover	10%	9%	
Operating (loss)/profit as % of turnover	(2%)	(5%)	
Return on capital employed	(6%)	(14%)	

Principal risks and uncertainties

The principal risks and uncertainties of the business relate to movement in prices caused by, amongst other factors, extremes in weather conditions, oversupply in the market, inflation and currency movements.

Company policy does not permit trading in any financial instruments.

The main risks arising from the company's financial instruments are credit risk, liquidity risk and currency risk. The way in which these risks are managed is summarised below.

Credit Risk

The company aims to limit undue counterparty exposure by ensuring proper procedures are followed before starting to trade with a new customer and material on-going exposure is monitored.

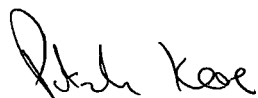
Liquidity Risk

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to Group board level and with rates of return and cash payback periods applied as part of a defined investment appraisal process.

Foreign Currency Risk

All products are sold in hard currency which acts as a natural hedge against the devaluation of local currencies.

By order of the board



P A Keane
Director
2 September 2019

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The company's principal activity is the trading of decaffeinated tea worldwide.

Financial instruments

The Company policy does not permit trading in any financial instruments.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the sections titled Principal activities (see above) and Business review (see Strategic report).

The Company participates in the James Finlay group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The company has received a letter of support from its parent company James Finlay Limited.

On this basis, and on their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the company will be able 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.

Directors

The directors who held office during the year were as follows:

N R Willsher (Chairman)
P A Keane (Managing Director)
J M Rutherford

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Proposed dividend

The directors declared and paid a dividend of £nil (2017: £nil) during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

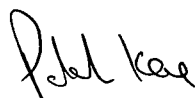
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



P A Keane
Director
2 September 2019

60 Lime Street, Hull, HU8 7AF

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *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 or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Finlay Hull Limited

Opinion

We have audited the financial statements of Finlay Hull Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent auditor's report to the members of Finlay Hull Limited (*continued*)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.


Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

5 September 2019

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2018

Continuing operations	<i>Note</i>	2018 £000	2017 £000
Revenue	2	6,338	5,259
Cost of sales		(5,683)	(4,774)
Gross profit		655	485
Other operating income	3	2	2
Administrative expenses	4	(795)	(757)
Operating loss		(138)	(270)
Interest payable and similar charges	7	(94)	(87)
Loss on ordinary activities before taxation		(232)	(357)
Tax on loss on ordinary activities	8	42	73
Loss for the financial year		(190)	(284)

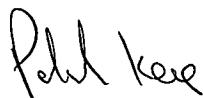
There are no items of other comprehensive income other than those stated above. The results for the current and previous year derive entirely from continuing operations.

The notes on pages 9 to 18 form part of these financial statements.

Balance Sheet
at 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Non-current assets			
Tangible assets	<i>9</i>	293	254
Debtors	<i>10</i>	88	87
		381	341
Current assets			
Stock	<i>11</i>	1,745	1,695
Debtors	<i>12</i>	777	843
		2,522	2,538
Current liabilities			
Creditors	<i>13</i>	(5,091)	(4,877)
Net current liabilities		(2,569)	(2,339)
Net liabilities		(2,188)	(1,998)
Capital and reserves			
Called up share capital	<i>14</i>	-	-
Profit or loss account		(2,188)	(1,998)
Shareholders' deficit		(2,188)	(1,998)

These financial statements were approved by the board of directors on 2 September 2019 and were signed on its behalf by:



P A Keane
Director

Company registered number: 04950055

The notes on pages 9 to 18 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	-	(1,998)	(1,998)
Total comprehensive loss for the year			
Loss for the financial year	-	(190)	(190)
Total comprehensive loss for the year	-	(190)	(190)
Balance at 31 December 2018	-	(2,188)	(2,188)

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	-	(1,714)	(1,714)
Total comprehensive loss for the year			
Loss for the financial year	-	(284)	(284)
Total comprehensive loss for the year	-	(284)	(284)
Balance at 31 December 2017	-	(1,998)	(1,998)

The notes on pages 9 to 18 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Finlay Hull Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, John Swire & Sons Limited includes the Company in its consolidated financial statements. The consolidated financial statements of John Swire & Sons Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from John Swire & Sons Limited, 59 Buckingham Gate, London, SW1E 6AJ.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the company.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, biological assets investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

Notwithstanding net current liabilities of £2,569k as at 31 December 2018 and a loss for the year then ended of £190k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its intermediate parent company, James Finlay Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's intermediate parent company, James Finlay Limited, not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £3.5m;

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

and providing additional financial support during that period. James Finlay Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of these amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit and Loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described in note 1.12.

Depreciation is provided on all tangible fixed assets is recognised in the Statement of Profit and Loss, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

- Freehold land and buildings - over 50 years
- Plant and machinery - over 8 - 15 years
- Computer equipment - over 3 years

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

1.7 Intangible assets

Research and development

Expenditure on research activities is recognised in the Statement of Profit and Loss as an expense as incurred.

1.8 Stocks

Stocks are stated at the lower of cost (including appropriate overheads) and net realisable value.

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

1.9 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Profit and Loss.

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit and Loss in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.10 Employee benefits (continued)

Defined benefit plans

The Company's employees were members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is James Finlay Ltd (the Group). The Company then recognised a cost equal to its contribution payable for the period.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

Interest payable and similar charges

Interest payable and similar charges are recognised in Statement of Profit and Loss as they accrue. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Revenue

Revenue represents the invoiced amount of goods and services sold net of value added tax. All revenue arises from continuing operations within the UK. The turnover and pre-tax profit is wholly attributable to tea decaffeination activities.

Notes (continued)

3 Other operating income

	2018 £000	2017 £000
Other income	2	2
	2	2

4 Expenses and auditor's remuneration

	2018 £000	2017 £000
<i>Included in Statement of Profit and Loss are the following:</i>		
Impairment loss on stocks	39	9
Depreciation of tangible assets	19	13
Research and development expensed as incurred	1	9
Operating leases	12	11

	2018 £000	2017 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	10	9

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the items above have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, James Finlay Limited.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Management and administration	6	6
Production	33	35
	39	41

	2018 £000	2017 £000
<i>The aggregate payroll costs of these persons were as follows:</i>		
Wages and salaries	1,195	1,076
Social security costs	106	97
Contributions to defined contribution plans	88	52
Expenses related to defined benefit plans	11	122
	1,400	1,347

Notes (continued)

6 Directors' remuneration

	2018 £000	2017 £000
Emoluments (excluding company pension contributions)	64	70

The aggregate of remuneration of the highest paid director was £64,314 (2017: £69,698) and company pension contributions of £nil (2017: £7,995) and £3,740 (2017: £919) were made on their behalf to a defined benefit scheme and defined contribution scheme respectively.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	1

7 Interest payable and similar charges

	2018 £000	2017 £000
Interest on group loans	94	87

8 Taxation

Recognised in the profit and loss account

	2018 £000	2017 £000
<i>UK corporation tax</i>		
Group relief receivable	(61)	(89)
Adjustments in respect of prior periods	20	-
Total current tax	(41)	(89)
<i>Deferred tax (see note 10)</i>		
Origination of timing differences	(1)	16
Total deferred tax	(1)	16
Tax on (loss)/profit on ordinary activities	(42)	(73)

Reconciliation of effective tax rate

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(232)	(357)
Current tax at 19.00% (2017: 19.25%)	(44)	(69)
<i>Effects of:</i>		
Fixed asset differences	1	(2)
Expenses not deductible for tax purposes	1	-
Adjustment to deferred tax rate	-	(2)
Total tax (credit)/charge (see above)	(42)	(73)

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 January 2018	354	5,117	5,471
Acquisitions	-	58	58
Balance at 31 December 2018	354	5,175	5,529
Depreciation			
Balance at 1 January 2018	154	5,063	5,217
Depreciation charge for the year	7	12	19
Balance at 31 December 2018	161	5,075	5,236
Net book value			
At 1 January 2018	200	54	254
At 31 December 2018	193	100	293

10 Deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 2018 £000	2017 £000
Tangible fixed assets (capital allowances)	88	88
Pension and post-retirement benefits	-	(1)
Net tax assets	88	87

Movement in deferred tax during the year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets (capital allowances)	88	-	88
Pension and post-retirement benefits	(1)	1	-
	87	1	88

Movement in deferred tax during the prior year

	1 January 2017 £000	Recognised in income £000	31 December 2017 £000
Tangible fixed assets (capital allowances)	103	(15)	88
Pension and post-retirement benefits	-	(1)	(1)
	103	(16)	87

Notes (continued)

11 Stock

	2018 £000	2017 £000
Raw materials and consumables	1,300	1,360
Work in progress	9	9
Finished goods	436	326
	1,745	1,695

Included within raw materials and consumables is a stock impairment provision of £30,476 (2017: £9,044) being a 15% reduction on certain aged stock in line with group policy.

Included within finished goods is a stock impairment provision of £8,170 (2017: £nil) being a reduction of certain stock in order to equal the net realisable value against agreed sales contracts.

12 Debtors

	2018 £000	2017 £000
Non-current		
Deferred tax assets (see note 10)	88	87
Current		
Trade debtors	415	266
Amounts owed by parent undertaking and fellow subsidiary undertakings	130	307
Other debtors	67	68
Prepayments and accrued income	165	202
	865	930

Included within amounts owed by parent undertaking and fellow subsidiary undertakings is £130,125 (2017: £118,226) of amounts recoverable in respect of group relief for the utilisation of tax losses available from other group undertakings. All amounts owed by parent undertaking and fellow subsidiary undertakings are payable on demand and non-interest bearing.

13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts	1,114	588
Trade creditors	157	266
Amounts owed to parent undertaking and fellow subsidiary undertakings	3,565	3,640
Accruals and deferred income	255	383
	5,091	4,877

Included within amounts owed to parent undertaking and fellow subsidiary undertakings are short term loans of £3.5m (2017: £3.5m) which is repayable by 31 December 2019. Interest is charged at LIBOR + 2% on this loan.

Notes (continued)

14 Capital and reserves

	Ordinary shares		2018 £	2017 £
	2018 No.	2017 No.		
On issue at 1 January – fully paid	100	100	100	100
On issue at 31 December – fully paid	100	100	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

No shares were issued in 2018 (2017: nil).

A dividend of £nil in respect of the current financial period was declared and paid to the shareholders (2017: £nil).

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	10	11
Between one and five years	14	10
	24	21

The company leases two forklift trucks under 5 year operating leases, and other miscellaneous items under monthly or quarterly operating leases. During the year £11,826 (2017: £10,946) was recognised as an expense in the Statement of Profit and Loss.

16 Pension commitments

Defined Benefit Scheme

In previous years, the company participated in a group defined benefit scheme for qualifying employees. Contributions to this scheme ceased from 1 October 2017 onwards.

Under the scheme, the employees are entitled to retirement benefits varying between 1/80 and 30/80 of final salary on attainment of a retirement age of 65.

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 year, which was £nil (2017: £69,524).

Further details of the Group defined benefit scheme are disclosed within the Group consolidated financial statements, which are available as disclosed in note 18 below.

Defined Contribution Scheme

The company operates a defined contribution scheme for qualifying employees, which was set up on 1 February 2010. The assets of the Scheme are held in administered funds separate from the finances of the Group.

The total cost charged to income of £95,713 (2017: £49,847) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As of 31 December 2018, contributions in respect of the current reporting period that had not been paid over to the scheme amounted to £nil (2017: £7,337).

Notes *(continued)*

17 Accounting estimates

In preparing these financial statements, management has made estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Specifically, these are the production costs held within finished goods stock, the stock impairment provision within raw materials and consumables stock, prepayments, and accruals. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of James Finlay Limited, which is registered in Scotland. The Company's ultimate parent company is John Swire & Sons Limited, which is registered in England. The largest group in which the results of the Company are consolidated is that headed by John Swire & Sons Limited, incorporated in England.

The consolidated financial statements of the group are available to the public and may be obtained from John Swire & Sons Limited, Swire House, 59 Buckingham Gate, London SW1E 6AJ.