Faerch Durham Limited (formerly Faerch Plast Manufacturing Limited)

Annual report and financial statements

For the year ended 31 December 2018

Registered Number: 07770672

Faerch Durham Limited (formely Faerch Plast Manufacturing Limited)

Annual report and financial statements

for the year ended 31 December 2018

Contents

Strategic report for the year ended 31 December 2018

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

Business review and principal activities
The principal activity of the Company is the manufacturing of plastic-based packaging for use in the food industry.

The sixth full year of production, continued the drive & momentum of each of the previous years, in terms of investment & expanding production.

In the prior year set of accounts the company announced its intention to transfer trade and assets to a fellow group undertaking, Faerch UK Limited. Since the signing of those accounts such a transfer has not taken place, and the business continues to operate as in previous periods.

Again, for the fifth year in a row, the Company had a good year in terms of production, which was in line with the Directors forecasts & expectations. Total sheet (extrusion) production increased by 1%, whereas finished goods (trays) production increased by 7%, when compared with 2017. This was created by increased labour, knowledge and skillset of the workforce. The average number of employees during the year was 134. Training and guidance to the skills required in manufacturing operations' continue to be supported by the Parent Company, Faerch A/S.

An extract of some important figures detailed in the financial statements, are as follows:-

(i) Total capital expenditure for the year was £2.2 million all of which related to plant and machinery.

(ii) Turnover of £34.2 million (2017: £28.5 million) represented an increase of 20% over the previous year. This generated an operating profit of £1.6 million (2017: loss of £0.2 million).

(iii) Interest costs included financing costs incurred with respect to debt relating to the acquisition in prior periods of Anson Packaging & Sealed Air's food trays business in Poole, now renamed Faerch UK Limited and Faerch Poole Limited respectively. Total interest costs were £3.6 million (2017: £4.3 million).

(iv) The company made a loss after tax of £2.1m (2017: £4.6m).

Key performance indicators ("KPIs")
Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Strategic report for the year ended 31 December 2018 (continued)

Financial Performance
The results for the year are set out on page 9. The directors are satisfied with the performance of the business. The directors do not recommend the payment of a dividend (2017: £nil).

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are considered to relate to competition in its core markets, the global economic environment and the variability in the cost of raw materials, the risks are managed through regularly reviewing and negotiating best possible prices enabling us to remain competitive the market place.

Business risks
The Management of Faerch Group has made an assessment of the internal and external business risks. Some of the risks can have a significant impact on the performance of the business. The risks evaluated as being particularly important at the present time are:

1) Raw material prices – the main cost element represents approximately 29% of the turnover. To minimise the risk, the Faerch Group regulates contractual prices against Platts prices.

2) Integration of new entities – successful integration of the entities acquired in prior periods is paramount to ensure continuous growth and increase operating profit.

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 group cash pool facility, risk is manged through weekly cash flow forecasting.

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. 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 is exposed to credit risk from its banking institutions, however cash balances are only deposited with those institutions that can demonstrate an appropriate level of credit-worthiness.

On behalf of the board

Tom Sand-Kristensen
Director
04 October 2019

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018. The Company's registered number is 07770672.

Financial risk and management
The Company's disclosure of financial risks and their management has been presented within the Strategic Report on page 4. No dividends have been recommended (2017: £nil)

Future developments
As highlighted in the Strategic Report on page 3.

Directors
The directors who have served during the year and up to the date of signing the financial statements are as follows:

L Gade-Hansen	(Resigned 12 January 2018)
H Sandal	(Resigned 12 January 2018)
T Vikkelso Tranders	
T Sand-Kristensen	(Appointed 12 January 2018)

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report for the year ended 31 December 2018 (continued)

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

(1) So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board

Tom Sand-Kristensen
Director
04 October 2019

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

Report on the audit of the financial statements

Opinion

In our opinion, Faerch Durham Limited (formerly Faerch Plast Manufacturing Limited)'s 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 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 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

Independent auditors' report to the members of Faerch Durham Limited (formerly Faerch Plast Manufacturing Limited) (continued)

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.

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 2018 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 set out on page 5, 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
04 October 2019

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	1	**34,244**	**28,472**
Cost of sales		**(31,017)**	**(25,497)**
Gross profit		**3,227**	**2,975**
Administrative expenses		**(1,622)**	**(3,210)**
Operating profit/(loss)	2	**1,605**	**(235)**
Interest payable and similar expenses	5	**(3,640)**	**(4,308)**
Interest receivable and similar income	6	**2**	**1**
Loss on ordinary activities before taxation		**(2,033)**	**(4,542)**
Tax on loss on ordinary activities	7	**(70)**	**(53)**
Loss for the financial year		**(2,103)**	**(4,595)**

There were no other sources of comprehensive income in the year.

All results relate to continuing operations.

Statement of financial position as at 31 December 2018

	Note	2018	2017
Fixed assets			
Tangible assets	8	19,806	19,545
Investments	9	54,987	54,987
		74,793	74,532
Current assets			
Stocks	10	5,737	4,923
Debtors	11	6,243	2,816
		11,980	7,739
Creditors: amounts falling due within one year	12	(83,342)	(76,807)
Net current liabilities		(71,362)	(69,068)
Total assets less current liabilities		3,431	5,464
Provisions for liabilities	13	(672)	(602)
Net assets		2,759	4,862
Capital and reserves			
Called up share capital	14	6,000	6,000
Share Premium account	15	6,500	6,500
(Accumulated losses)/Retained earnings		(9,741)	(7,638)
Total shareholders' funds		2,759	4,862

The notes to the financial statements on pages 18 to 26 form an integral part of these financial statements.

The financial statements on pages 9 to 26 were approved by the board of directors on 04 October 2019 and signed on its behalf by:

Tom Sand-Kristensen
Director

Registered Number: 07770672

Statement of changes in equity for the year 31 December 2018

	Called-up share capital	Retained Earnings/ (Accumulated Losses)	Share premium account	Total Shareholders funds
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 January 2017	**6,000**	**(3,043)**	**6,500**	**9,457**
Loss for the financial year	-	(4,595)	-	**(4,595)**
Balance as at 31 December 2018	**6,000**	**(7,638)**	**6,500**	**4,862**
Loss for the financial year	-	(2,103)	-	**(2,103)**
Balance as at 31 December 2018	**6,000**	**(9,741)**	**6,500**	**2,759**

Accounting Policies

General information
The Company is limited by shares and is incorporated in England within the United Kingdom. The address of its registered office is Faerch Durham Limited, Damson Way, Dragonville Industrial Estate, Durham, CO Durham, DH1 2YN.

The principal activity of the Company is the manufacturing of plastic-based packaging for use in the food industry.

Statement of compliance
The financial statements of Faerch Durham 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.
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.
iv) The company has taken advantage of the exemption under Section 33.1A of FRS 102 on the grounds that it is a wholly owned subsidiary of a group headed by Faerch A/S, whose financial statements are publicly available.
The requirements of Section 11 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available),12.27, 12.29(a), 12.29(b), and 12.29A as disclosures are available in the consolidated financial statements of Faerch A/S.

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 and a letter of support is in place from the company's immediate parent. 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.

Accounting Policies (Continued)

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) Turnover
Turnover comprises the sales value (excluding value added tax) of goods supplied in the normal course of business. Sales are recognised when goods are despatched.

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 the statement of comprehensive income 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:

Freehold buildings	30 years
Plant and machinery	between 1 and 20 years

Freehold land is not depreciated.

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.

h) Impairment of non-financial assets
At each statement of financial position 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).

Accounting Policies (Continued)

h) Impairment of non-financial assets (Continued)
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 comprehensive income, 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 comprehensive income.

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 comprehensive income.

i) Finance and Operating leases
Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the statement of comprehensive income.

Rental charges under operating leases are charged to the statement of comprehensive income 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 comprehensive income.

k) Investments in subsidiary companies
Investments in subsidiary companies are held at cost less accumulated impairment losses.

Accounting Policies (Continued)

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

m) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. 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 balance sheet date. Deferred tax is measured on an undiscounted basis.

n) Stocks
Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell. The cost of work in progress and finished goods and goods for resale comprises direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimate selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

o) 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 made contributions to a group personal pension plan, which is a defined contribution scheme. All contributions paid are charged against trading profits in the year in which they arise.

p) 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.

q) Financial instruments

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

Accounting Policies (Continued)

q) Financial instruments (continued)

Financial assets

Financial assets or financial liabilities are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, financial assets are classified into four categories:
(i) financial assets at fair value through profit or loss;
(ii) held-to-maturity investments;
(iii) loans and receivables; and
(iv) available-for-sale financial assets.

The Company does not hold any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

After initial recognition, the Company measures financial assets at their fair values, without any deduction for transaction costs incurred on sale or other disposal, except for loans and receivables, which are measured at amortised cost using the effective interest method.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate 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 statement of comprehensive income.

If there is 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 statement of comprehensive income.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) 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.

Financial liabilities

Basic financial liabilities, including bank loans, loans from fellow Group companies that are classified as debt, 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.

Financial liabilities are recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Accounting Policies (Continued)

q) Financial instruments (continued)

Financial liabilities

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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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.

r) 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.

The company considers the following critical estimates are used in the preparation of these accounts:

The directors make an assessment as to the appropriateness of the carrying value of investments based on the trading performance and underlying asset values and assesses at each reporting date whether an investment may be impaired. If any such indication exists, the Company estimates the recoverable amount of the investment. When determining the estimate, a number of assumptions are required including forecasts and expected cash flows. If the recoverable amount is below the value the investment is currently recorded, it is impaired and the charge is expensed through the statement of comprehensive income.

The company designs, manufactures and sells plastic food packaging and is subject to changing consumer demands. As a result, it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

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

Notes to the financial statements for the year ended 31 December 2018

1 Turnover

The turnover and loss before taxation are attributable to the principal activity of the Company.

	2018	2017
	£'000	£'000
UK	31,312	26,553
Europe and other	2,932	1,919
Total	**34,244**	28,472

2 Operating profit/(loss)

	2018	2017
	£'000	£'000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation - owned assets	1,924	2,102
Operating lease rentals payable in respect of: - other leases	198	68
Foreign exchange loss/(gain)	132	(105)
Auditors' remuneration		
- audit services	20	20
- audit related services	-	-
non audit services – taxation	17	17

3 Directors emoluments

None of the directors received any emoluments (2017: £nil) from the Company.

Benefits are not accruing on behalf of any directors in respect of the money purchase pension scheme (2017: £nil).

Emoluments of the Company's directors are paid by the parent company. Their services to this Company and to a number of other subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company.

4 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was 134 (2017: 140).

	2018	2017
	Number	Number
Manufacturing	**120**	125
Administration	**14**	15
	134	140

Staff costs for the above persons	**2018**	2017
	£'000	£'000
Wages and salaries	**3,702**	3,216
Social security costs	**304**	237
Other pension costs	**97**	74
	4,103	3,527

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Interest payable and similar expenses

	2018	2017
	£'000	£'000
Bank interest payable	**214**	670
Amounts owed to group undertakings	**3,426**	3,638
	3,640	4,308

6 Interest receivable and similar income

	2018	2017
	£'000	£'000
Bank and other interest received	**2**	1
	2	1

7 Tax on loss on ordinary activities

(a) Analysis of charge/(credit) in the year

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax on loss for the year	-	-
Adjustments in respect of previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	**52**	25
Change in tax rates	**(6)**	(3)
Adjustments in respect of previous years	**24**	31
Total deferred tax (note 13)	**70**	53
Tax on loss on ordinary activities	**70**	53

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Tax on loss on ordinary activities (Continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018	2017
	£'000	£'000
Loss on ordinary activities before tax	**(2,033)**	(4,542)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19.25%)	**(386)**	(874)
Effects of:		
Expenses not deductible for tax purposes	**24**	85
Rate difference on group relief	**414**	814
Change in tax rates	**(6)**	(3)
Adjustments to tax charge in respect of previous years	**24**	31
Total tax charge for the year	**70**	53

Factors that may affect future tax charges
The company's losses for this accounting year are taxed at an effective rate of 19%. The deferred tax balance has been provided at 19%, as this is the tax rate at which deferred tax is expected to unwind.

UK corporation tax rate was confirmed in the Chancellor's Budget on 8 March 2017, that the government was still aiming for 17% from 1 April 2020. UK corporation tax rate to 19% from 1 April 2017.

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

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2018	5,996	22,753	28,749
Additions	-	2,207	2,207
Adjustment to opening balance	(24)	-	(24)
At 31 December 2018	**5,972**	**24,960**	**30,932**
Accumulated depreciation			
At 1 January 2018	838	8,366	9,204
Charge for the year	116	1,808	1,924
Disposals	-	-	-
At 31 December 2018	**954**	**10,174**	**11,128**
Net book amount			
At 31 December 2018	**5,018**	**14,788**	**19,806**
At 31 December 2017	5,157	14,388	19,545

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Investments

	£'000
At 1 January 2018	54,987
Additions	-
At 31 December 2018	**54,987**

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

The undertakings in which the Company's interest at the year end is 20% or more are as follows:

Name of subsidiary undertakings	Registered Address	Country of Incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Faerch UK Limited (formerly Faerch Plast UK Limited)	78 Lancaster Way Business Park, Ely, Cambridgeshire CB6 3NW	United Kingdom	100%	Food packaging manufacturer
Avro Holdings Ltd	Shakespeare House, Newmarket Rd, Cambridge, Cambs, CB5 8EP	United Kingdom	100%	Non-trading company
Avro Industries Ltd	78 Lancaster Way Business Park, Ely, Cambridgeshire CB6 3NW	United Kingdom	100%	Non-trading company
Faerch Poole Ltd (formerly Faerch Plast Poole Ltd)	Fleets Lane Poole Dorset BH15 3BT	United Kingdom	100%	Food packaging manufacturer

Notes to the financial statements for the year ended 31 December2018 (continued)

10 Stocks

	2018	2017
	£'000	£'000
Raw materials and consumables	**2,993**	1,883
Work in progress	**1,410**	1,192
Finished goods and goods for resale	**1,334**	1,848
	5,737	4,923

There is no significant difference between the replacement cost of inventory and its carrying amount.
Inventories are stated after provisions for impairment of £72,000 (2017: £61,000).
Total Inventories recognised through cost of sales in the year amounted to £27,000,000 (2017: £26,400,000)

11 Debtors

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	**5,833**	2,422
Prepayments and accrued income	**410**	394
	6,243	2,816

Amounts owed by group undertakings are not secured, repayable on demand and are not interest bearing.

12 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**3,720**	**5,047**
Amounts owed to group undertakings	**78,146**	**71,085**
Other creditors	**-**	**17**
Taxation and social security	**77**	**356**
Accruals and deferred income	**1,399**	**302**
	83,342	**76,807**

Within amounts owed to group undertakings, £48,204,000 (2017: £48,316,000) is unsecured, repayable on demand and incur interest at a rate of 2.75% and £843,000 (2017: £nil) is unsecured, repayable on demand and non-interest bearing. The remaining £29,099,000 (2017: £22,769,000) is subject to a cash pooling arrangement.

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Provisions for liabilities

Deferred taxation as at 31 December 2017 is analysed below	**2018**	2017
	£'000	£'000
Excess of accelerated capital allowances over depreciation	**672**	602

At 1 January 2018	602
Charged to the statement of comprehensive income (note 7)	70
At 31 December 2018	**672**

14 Called up share capital

	2018	2017
	£'000	£'000
Authorised, allotted, issued and fully paid		
6,000,001 (2016: 6,000,001) ordinary shares of £1 each	**6,000**	6,000

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

15 Share Premium Account

	2018	2018
	£'000	£'000
Share premium account	**6,500**	6,500

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Financial commitments

At 31 December the Company had future minimum lease payments under non-cancellable operating leases expiring as follows:

	Other	
	2018	2017
	£'000	£'000
Within one year	**76**	207
Between one to two years	**14**	191
Between two and five years	**-**	-
	90	398

17 Pension contributions

The pension cost charges represent contributions made to the group pension plan of £96,839 (2017: £110,000).

18 Ultimate parent company and controlling party

The company's immediate parent undertaking was Faerch A/S (formerly R Faerch Plast A/S) as at 31 December 2018. Until August 22nd 2017 EQT VI was the company's ultimate parent company and controlling party, a company registered in Guernsey. From August 23rd 2017 the ultimate parent, controlling party and the largest group of undertaking to consolidate these financial statements as at 31 December 2018 are 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 2017. The consolidated financial statements of Faerch A/S can be obtained from Faerch A/S, Rasmus Faerchs Vej, 7500 Holstebro, Denmark.