Faerch Durham Limited

Consolidated Annual Report and Financial Statements for the year ended 31 December 2020

Registered Number: 07770672

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Faerch Durham Limited

Consolidated Annual Report and Financial Statements for the year ended 31 December 2020

Contents

Faerch Durham Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report on Faerch Durham Limited and its subsidiaries (the Group) for the year ended 31 December 2020.

Business review and future developments

The principal activity of the Group is the manufacturer of rigid plastic food packaging in the UK, with integrated extrusion and thermoforming operations. The Group sells via a mix of directly to customers in the food industry and to other subsidiaries of Faerch Group A/S.

The Group strategy is to develop and grow its leading position in food packaging through:

- leveraging its design expertise to develop brand enhancing, quality packaging ranges and solutions
- building strong long-term customer relationships
- maintaining its leadership in the use of sustainable materials
- investing in efficient manufacturing and business systems

2020 was a challenging year. Turnover was 3.2% lower year on year predominantly due to the impact of lower resin prices, and EBITDA was broadly flat. The COVID-19 pandemic significantly impacted the economy and our markets.

As the world's first integrated recycler, we are proud to lead the industry's journey toward a circular economy in food packaging. Evolve by Faerch, which was introduced in 2019, offers market-leading content of post-consumer recycled bottles and trays and is fully recyclable into new mono-material PET trays in food quality. In 2020, the concept was further strengthened to include even more product categories, ranging from meat trays to ready meals and dairy pots.

In light of the fact the COVID-19 pandemic continues to impact business performance in most markets, 2021 will continue to be challenging. The uncertainty related to the extent and length of the pandemic, further government actions, consumer reactions as well as the timing and success of the vaccine program remains high, thus the visibility in the market remains low and COVID may have continued implications on the business performance.

Based on the strong new business winning during 2020 the focus in 2021 will be on profitable sales growth in all markets in the tray business driven by both existing and new customers.

In 2021 we will launch our "Transparency programme" which will provide full transparency on the amount of recycled PET content used in our food packaging. It will allow customers to make the right material choice, comply with legislative requirements, communicate accurately and avoid confusion to end-consumers. We will provide our customers with certification on the level of recycled post-consumer content (PCR) in our packaging audited by a third party. We believe that full transparency on recycled content in food packaging is key to accelerate the required transition towards circularity within all the segments including hot fill in the dairy segment.

We will continue to invest in our platforms to maintain cost-leadership at all production sites through innovation, optimisation and automation.

Faerch Durham Limited

Strategic report for the year ended 31 December 2020 (continued)

Key performance indicators ("KPIs")

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

Indicator	2020 Year	2019 Year	% change
Turnover - £'000	102,686	106,079	(3.2)%
Operating loss £'000	(1,774)	(1,175)	(51.0)%
Operating margin - %	*(1.7)%*	*(1.1)%*	*(0.6)%*
EBITDA[1] - £'000	9,387	9,405	(0.2)%
EBITDA margin - %	*9.1%*	*8.9%*	*0.2%*
Working capital[2] - %	9.5%	11.1%	(1.6)%
Employees	475	487	(2.5)%

[1] Earnings before interest, tax, depreciation and amortisation.

[2] Stock and trade receivables less trade payables as % of turnover

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 Group 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 established a special risk committee to manage and monitor the development of Brexit.

b) The interests of the Company's employees

The Company 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.

Strategic report for the year ended 31 December 2020 (continued)

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. The Company is launching a "Transparency programme" which will provide full transparency on the amount of recycled PET content used in our food packaging. We believe that full transparency on recycled content in food packaging is key to accelerate the required transition towards circularity.

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.

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 ongoing COVID-19 pandemic, 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. Faerch has implemented a Business Continuity Plan to minimise disruption in our operations and to ensure that our business remains viable. Faerch closely follows the developments of COVID-19 and complies with the local recommendations and guidelines set by the authorities.

Faerch established a special risk committee to manage and monitor the development of Brexit. In 2020, Faerch followed the development of the Brexit negotiations with EU closely and prepared for the worst case scenario in the event of a 'no-deal' scenario, where no ratified agreement could be established between the United Kingdom and EU. Fortunately, and after months of negotiations, the United Kingdom and EU agreed to a deal that will define their future relationship, which came into effect on 31 December 2020. In short, there will be no taxes on goods (tariffs) or limits on the amount that can be traded between the UK and the EU. Some new checks have been introduced at borders, such as safety checks and customs declarations, which led to some disruption and delays at the borders.

The markets in which the Group operates remain competitive. The loss of key customers and knock-on impact to the Company of loss of volumes could adversely affect the Company's results. These risks are mitigated through developing long term relationships with customers and regular communication. The Group seeks to further reduce the risks by ensuring high levels of service, maintaining strong commercial relationships and by working closely with customers on product development programmes to provide the customer with unique products at the appropriate cost, quality and service level.

The Group leads the market in its use of recycled input materials. The cost and availability of these materials can fluctuate significantly. Mono materials, will continue to provide positive solutions to concerns regarding plastics and related 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.

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Strategic report for the year ended 31 December 2020 (continued)

Financial risk management

Foreign currency risk
The Group's activities expose it to financial risks due to changes in foreign currency exchange rates. The extent of this risk in normal trading is limited due to the relatively low amounts involved as the majority of the Company's sales and purchases are denominated in Sterling. Foreign currency exposure can arise on individual high value transactions such as the purchase of fixed assets and raw material imports. The impact of such risk is assessed and it is usually mitigated through the use of forward exchange contracts, and sales price regulation against raw material prices.

Credit risk
The Group's principal financial assets are bank deposits and cash and trade and other receivables. The Group'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 Group continually monitors customer credit risk through credit rating agencies and through its own market intelligence.

Interest Rate risk
The Group is exposed to interest rate risk on loans and hire purchase contracts at variable rates. The majority of operating leases relate to land and buildings and motor vehicles. The level of the Company's indebtedness is very small compared to its profitability and liquid resources and this risk is not considered material.

Liquidity risk
The Group retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Going concern

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

On the basis of their assessment of the Company and Group'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 and Group are well placed to manage its business risks and that the Company and Group have adequate resources to continue in operational existence for the foreseeable future.

This report was approved by the board on 12 August 2021 and signed on its behalf by:

Tom Sand-Kristensen
Director

Faerch Durham Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and audited financial statements of the Group for the year ended 31 December 2020.

Financial risk and management

The Group's disclosure of financial risks and their management has been presented within the Strategic Report on page 6.

Future developments

As highlighted in the Strategic Report on page 3.

Results and dividends

The results for the year are set out on page 13.

During the year the Company did not pay a dividend (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

Directors

The directors who served the Company during the year and up to the date of signing the financial statements were as follows:

Thomas Vikkelsø Tranders
Tom Sand-Kristensen

Environment

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

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 CO_2 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.

Directors' report for the year ended 31 December 2020 (continued)

Employee involvement

The Group 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.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Events after the end of the reporting period

In March 2021, A.P. Moller Holding A/S completed the acquisition of the Faerch Group (including Faerch Durham Limited) from Advent International. The acquisition marks the start of an exciting new period in the company's history. The directors believe that the new ownership structure will support and further strengthen the Company's long-term growth ambitions.

Third party indemnity provision for directors

Qualifying third party indemnity provisions are in place for the benefit of all directors of the Company. This has been in place for the entirety of the financial year and period up to the date of signing these financial statements.

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, 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 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 Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and 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's 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.

Faerch Durham Limited

Directors' report for the year ended 31 December 2020 (continued)

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.

This report was approved by the board on 12 August 2021 and signed on its behalf by:

Tom Sand-Kristensen
Director

Independent auditors' report to the members of Faerch Durham Limited

Report on the audit of the financial statements

Opinion

In our opinion, Faerch Durham Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows 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 Consolidated Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheet as at 31 December 2020; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 group 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 group and company and their 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 group's and 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 group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment law, UK tax legislation and Health and Safety laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase profits through the creation of fictitious sales or manipulation of classification of expenses for bonus purposes around EBITDA, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance around actual and potential litigation claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, and consideration of the impact of COVID-19 on going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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 company 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
12 August 2021

Faerch Durham Limited

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	5	**102,686**	106,079
Cost of sales		**(83,475)**	(86,096)
Gross profit		**19,211**	19,983
Distribution costs		**(6,888)**	(7,401)
Administrative expenses		**(14,125)**	(13,749)
Other operating gains / (losses)		**28**	(8)
Operating loss	6	**(1,774)**	(1,175)
Interest receivable and similar income	8	**-**	659
Interest payable and similar expenses	9	**(4,413)**	(4,632)
Loss before taxation		**(6,187)**	(5,148)
Tax on loss	10	**176**	(620)
Loss for the financial year		**(6,011)**	(5,768)
Total comprehensive expense			
Owners of parent		**(6,011)**	(5,768)
		(6,011)	(5,768)

There were no other sources of comprehensive income for 2020 (2019: £nil).

All results relate to continuing operations.

Faerch Durham Limited

Consolidated balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	**18,041**	21,956
Tangible assets	12	**44,047**	44,290
		62,088	66,246
Current assets			
Stocks	14	**16,679**	17,182
Debtors	15	**45,249**	38,662
Cash and cash equivalents		**31**	19
		61,959	55,863
Creditors: amounts falling due within one year	16	**(125,481)**	(117,612)
Net current liabilities		**(63,522)**	(61,749)
Total assets less current liabilities		**(1,434)**	4,497
Provisions for liabilities	18	**(2,102)**	(2,022)
Net (liabilities) / assets		**(3,536)**	2,475
Capital and reserves			
Called up share capital	19	**6,000**	6,000
Share premium account	20	**6,599**	6,599
Other reserves	20	**3**	3
Accumulated losses		**(16,138)**	(10,127)
Total equity		**(3,536)**	2,475

The notes to the financial statements on pages 19 to 40 form an integral part of these financial statements.

The financial statements on pages 13 to 40 were approved and authorised on 12 August 2021 for issue by the board and were signed on its behalf by:

Tom Sand-Kristensen
Director
Faerch Durham Limited
Registered Number: 07770672

Faerch Durham Limited

Company balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	12	**17,062**	17,863
Investments	13	**54,987**	54,987
		72,049	72,850
Current assets			
Stocks	14	**5,986**	6,239
Debtors	15	**30,641**	7,592
		36,627	13,831
Creditors: amounts falling due within one year	16	**(89,491)**	(86,171)
Net current liabilities		**(52,864)**	(72,340)
Total assets less current liabilities		**19,185**	510
Provisions for liabilities	18	**(603)**	(604)
Net assets / (liabilities)		**18,582**	(94)
Capital and reserves			
Called up share capital	19	**6,000**	6,000
Share premium account	20	**6,500**	6,500
Retained earnings / (Accumulated losses)		**6,082**	(12,594)
Total equity		**18,582**	(94)

The notes to the financial statements on pages 19 to 40 form an integral part of these financial statements.

The Company made a profit of the year of £18,676,000 (2019: loss of £2,853,000).

The financial statements on pages 13 to 40 were approved and authorised on 12 August 2021 for issue by the board and were signed on its behalf by:

Tom Sand-Kristensen
Director
Faerch Durham Limited
Registered Number: 07770672

Faerch Durham Limited

Consolidated statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Share premium	Other Reserves	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2019	6,000	6,599	3	(4,359)	8,243
Comprehensive expense for the year					
Loss for the year	-	-	-	(5,768)	(5,768)
Total comprehensive expense for the year	-	-	-	(5,768)	(5,768)
Balance as at 31 December 2019	6,000	6,599	3	(10,127)	2,475
Balance as at 1 January 2020	**6,000**	**6,599**	**3**	**(10,127)**	**2,475**
Comprehensive expense for the year					
Loss for the year	-	-	-	(6,011)	(6,011)
Total comprehensive expense for the year	-	-	-	(6,011)	(6,011)
Balance as at 31 December 2020	**6,000**	**6,599**	**3**	**(16,138)**	**(3,536)**

Faerch Durham Limited

Company statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Share premium	(Accumulated losses) / Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2019	**6,000**	**6,500**	**(9,741)**	**2,759**
Loss for the year	-	-	(2,853)	(2,853)
Balance as at 31 December 2019	6,000	6,500	(12,594)	(94)
Balance as at 1 January 2020	**6,000**	**6,500**	**(12,594)**	**(94)**
Profit for the year	-	-	18,676	18,676
Balance as at 31 December 2020	**6,000**	**6,500**	**6,082**	**18,582**

Faerch Durham Limited

Consolidated statement of cash flows
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Operating loss		**(1,774)**	(1,175)
Depreciation		**6,855**	6,333
Amortisation		**4,306**	4,247
(Gain) / loss on disposal of tangible assets		**(14)**	8
Change in working capital	21	**3,608**	(1,261)
Income taxes paid		**(1,567)**	(54)
Cash flow from operating activities		**11,414**	8,098
Purchase of intangible assets		**(391)**	(53)
Purchase of tangible assets		**(6,642)**	(4,100)
Proceeds from sale of tangible assets		**44**	29
Interest received		**-**	659
Cash flow from investing activities		**(6,989)**	(3,465)
Interest paid		**(4,413)**	(4,632)
Cash flow from financing activities		**(4,413)**	(4,632)
Net increase in cash and cash equivalents		**12**	1
Cash and cash equivalents at 1 January		**19**	18
Cash and cash equivalents at 31 December		**31**	19

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020

1. General Information

The principal activity of Faerch Durham Limited ("the Company") and Subsidiary companies (the "Group") is the manufacture and sale of rigid plastic packaging and containers and the extrusion of rigid plastic films. There have been no significant changes in the Company's principal activities in the year under review. The Company develops innovative packaging solutions, including the design and tooling and takes a market leading role in the development of recyclable materials.

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Faerch Durham Limited, Damson Way, Dragonville Industrial Estate, Durham, County Durham, DHI 2YN.

2. Statement of compliance

The Group and individual financial statement 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.

3. Summary of significant accounting policies

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

(a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

On the basis of their assessment of the Group'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 Faerch A/S. Therefore the directors have a reasonable expectation that the Group 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.

(c) Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 408 of Companies Act 2006 for a Statement of Comprehensive Income for the Company.

This information is included in the consolidated financial statements of Faerch Group A/S as at 31 December 2020 and these financial statements may be obtained from Faerch Group A/S, Rasmus Faerchs Vej 1, Holstebro, 7500, Denmark.

3. Summary of significant accounting policies (continued)

(d) Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December 2020.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for the entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group hold a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of the associates are accounted for using the equity method accounting.

Any subsidiary undertakings or associates sold are acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of ant exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stage, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made on the carrying value of the asset, liabilities or provisions of contingent liabilities.
All intra-group transactions, balance, income and expenses are eliminated on consolidation. Adjustment are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the equity.

(e) Foreign currency

Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency 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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented within 'interest receivable or payable' in the Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating gains/(losses)'.

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

(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 Group 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.

The Group 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 Group recognises revenue when the products are dispatched to the customer.

(g) Employee benefits

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

(h) Research and development

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All research and other development costs are written off as incurred.

(i) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Faerch Durham Limited

Notes to the financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

(j) Business Combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of the business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stage the cost is consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measure is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair vales are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable cost of the purchase consideration over the fair values to the Group's interest in the identifiable net asset, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

(k) Intangible fixed assets

Intangible fixed assets are stated at cost net of amortisation and any provision for impairment.

Intangible fixed assets relates to the following:

- Purchase of rights to acquire electrical supply through a power line - these are amortised in equal instalments over a period of ten years which is their estimated useful economic life.
- Computer software - these are amortised in equal instalments over a period of three years which is their estimated useful economic life.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

3. Summary of significant accounting policies (continued)

(l) 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.

Depreciation is provided on all tangible fixed assets other than freehold land using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold buildings	30 years
Plant and machinery	5-20 years
Fixtures, fittings and equipment	2-10 years
Motor vehicles	5 years

Included within fixtures, fittings and equipment are tooling assets used in the production process. These are depreciated over the life of the relevant customer contract if specific to that customer, or three years if not customer specific.

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.

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for 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 comprehensive income and included within the operating profit.

(m) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the leases.

3. Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets

At each balance sheet 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 cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These 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 profit and loss account, 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 profit or loss.

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 or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account, with the exception of impairment losses recognised for goodwill.

(o) Investments

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

(p) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal levels of activity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the impairment loss, and is recognised as a credit in the profit and loss account.

(q) 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.

3. Summary of significant accounting policies (continued)

(r) Provisions and Contingencies

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(s) Financial instruments

The Group 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.

3. Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

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.

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.

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Related party disclosures

The Group has taken advantage of the exemption Section 33.1A of FRS 102 on the grounds that as at 31 December 2020 it was a wholly owned subsidiary of a group headed by Advent GPE VIII partnerships, whose financial statements are publicly available.

4. Critical accounting judgements and estimation certainty

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. The Group considers the following critical estimates are used in the preparation of these financial statements:

The directors make an assessment as to the appropriateness of the carrying value of investments and intangible assets based on the trading performance and underlying asset values and assesses at each reporting date whether an investment or intangible asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the investment or intangible asset. 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 or intangible asset is currently recorded, it is impaired and the charge is expensed through the statement of comprehensive income.

The Group 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 Group 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 other critical accounting judgements and estimates that have been made in the preparation of these financial statements.

5. Turnover

The Group's turnover and loss before taxation were all derived from its principal activities 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:

	2020	2019
	£'000	£'000
United Kingdom	**95,433**	100,278
Europe and other	**7,253**	5,801
Total	**102,686**	106,079

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

6. Operating loss

Group

Operating loss is stated after charging / (crediting):

	2020 £'000	2019 (As restated) £'000
Wages and salaries	14,781	14,843
Social security costs	1,664	1,503
Other pension costs (note 17)	559	610
Staff Costs	17,004	16,956
(Profit) / loss on disposal of tangible assets	(14)	8
(Reversal of impairment) / impairment of inventory (included in Cost of Sales)	(429)	39
Operating lease rentals - land and buildings	2,203	2,244
- other	222	175
Depreciation	6,855	6,333
Amortisation	4,306	4,247
Net loss on foreign exchange transactions	498	106
Audit fee payable to the Company's auditors	90	76
Non audit fees for taxation compliance services payable to the Company's auditors	27	27

Following a review of the financial statements at 31 December 2019 an adjustment was made to "Operating lease rentals – land and buildings" to increase the cost from £1,647,000 to £2,244,000 to bring in line with underlying accounting records. The adjustment was made to increase the accuracy of reporting.

Company

Operating loss is stated after charging:

	2020 £'000	2019 £'000
Wages and salaries	3,801	3,507
Social security costs	369	327
Other pension costs (note 17)	105	104
Staff Costs	4,275	3,938

7. Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Group during the year was 475 (2019: 487) and by the Company 143 (2019: 134).

	Group 2020 Number	Group 2019 Number	**Company 2020 Number**	Company 2019 Number
Production	**390**	413	**129**	119
Administration	**85**	74	**14**	15
	475	487	**143**	134

Directors

The directors did not receive any remuneration (2019: £nil) from the Group or Company. The directors receive their remuneration from another subsidiary of Faerch Group A/S as the services provided are incidental to their role within the Group and Company.

8. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest Receivable from group undertakings	-	659
	-	659

9. Interest payable and similar expenses

	2020 £'000	2019 £'000
Bank interest payable	**227**	68
Interest payable to group undertakings	**4,186**	4,564
	4,413	4,632

10. Tax on loss

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

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on loss for the year	-	576
Adjustments in respect of previous years	(263)	(67)
Total current tax	**(263)**	509
Deferred tax		
Origination and reversal of timing differences	**18**	19
Effect of change in tax rates	**220**	(3)
Adjustments in respect of previous years	**(151)**	95
Total deferred tax (note 18)	**87**	111
Tax on loss	**(176)**	620

(b) Factors affecting tax (credit) / charge for the year

The tax assessed for the year is higher (Year ended 31 December 2019: higher) than the standard rate of corporation tax in the UK of 19% (Year ended 31 December 2019: 19%). The differences are explained below:

	2020	2019
	£'000	£'000
Loss before taxation	**(6,187)**	(5,148)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (Year ended 31 December 2019: 19%)	**(1,176)**	(978)
Effects of:		
Expenses not deductible for tax purposes	**848**	1,659
Effects of group relief	**346**	(86)
Rate difference on group relief	-	(3)
Tax rate changes	**219**	-
Adjustments in respect of previous years	**(413)**	28
Total tax (credit) / charge for the year	**(176)**	620

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Tax on loss (continued)

(c) Factors that may affect future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Therefore deferred taxes at the balance sheet date continue to be measured at a tax rate of 19%.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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

11. Intangible assets

Group

	Goodwill	Electricity Rights	Computer Software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	41,717	657	58	42,432
Additions	-	-	391	391
At 31 December 2020	41,717	657	449	42,823
Accumulated amortisation				
At 1 January 2020	19,816	646	14	20,476
Amortisation for year	4,172	11	123	4,306
At 31 December 2020	23,988	657	137	24,782
Net book value				
At 31 December 2020	17,729	-	312	18,041
At 31 December 2019	21,901	11	44	21,956

Intangible assets relates to the goodwill upon acquisition of Faerch UK Limited, the purchase of rights to acquire electrical supply through a power line, and computer software.

The company has no intangible assets.

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12. Tangible assets

Group

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets Under Construction £'000	Total £'000
Cost						
At 1 January 2020	5,904	61,386	18,887	38	950	87,165
Additions	94	2,761	2,056	-	1,731	6,642
Transfers	92	644	214	-	(950)	-
Disposals	-	(194)	(2,531)	-	-	(2,725)
At 31 December 2020	**6,090**	**64,597**	**18,626**	**38**	**1,731**	**91,082**
Accumulated depreciation						
At 1 January 2020	1,070	29,321	12,446	38	-	42,875
Charge for the year	119	5,193	1,543	-	-	6,855
Disposals	-	(169)	(2,526)	-	-	(2,695)
At 31 December 2020	**1,189**	**34,345**	**11,463**	**38**	**-**	**47,035**
Net book amount						
At 31 December 2020	**4,901**	**30,252**	**7,163**	**-**	**1,731**	**44,047**
At 31 December 2019	4,834	32,065	6,441	-	950	44,290

Following a review of the financial statements at 31 December 2019 an adjustment was made to opening assets cost to bring in line with underlying accounting records. The adjustment was made to increase the accuracy of reporting. The adjustments have made no impact on net assets as at 31 December 2019 or profit for the year ended 31 December 2019.

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12. Tangible assets (continued)

Company

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets under Construction £'000	Total £'000
Cost					
At 1 January 2020	5,904	24,643	325	302	31,174
Additions	81	958	220	120	1,379
Transfers	92	190	20	(302)	-
Disposals	-	-	-		-
At 31 December 2020	**6,077**	**25,791**	**565**	**120**	**32,553**
Accumulated depreciation					
At 1 January 2020	1,070	12,206	35	-	13,311
Charge for the year	118	1,966	96	-	2,180
Disposals	-	-	-	-	-
At 31 December 2020	**1,188**	**14,172**	**131**	**--**	**15,491**
Net book amount					
At 31 December 2020	**4,889**	**11,619**	**434**	**120**	**17,062**
At 31 December 2019	4,834	12,437	290	302	17,863

Following a review of the financial statements at 31 December 2019 an adjustment was made to opening assets cost to bring in line with underlying accounting records. The adjustment was made to increase the accuracy of reporting. The adjustments have made no impact on net assets as at 31 December 2019 or profit for the year ended 31 December 2019.

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

13. Investments

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

Subsidiary Undertakings	Country of incorporation	Registered number	Registered address	Principle activity	%	Investment £'000
Faerch UKco I Ltd (formerly Avro Holdings Limited) (direct)	England	06624200	Shakespeare House, Newmarket Road, Cambridge, Cambs., CB5 8EP	Non-trading Company	100%	54,500
Faerch Poole Limited (direct)	England	09798126	Fleets Lane, Poole, Dorset, BH15 3BT	Food Packaging Manufacturer	100%	487
Faerch UK Ltd (indirect)	England	01014780	78 Lancaster Way Business Park, Ely, Cambs., CB6 3NW	Food Packaging Manufacturer	100%	-
Faerch UKco III Ltd (formerly Avro Industries Limited) (indirect)	England	04352558	78 Lancaster Way Business Park, Ely, Cambs., CB6 3NW	Non-trading Company	100%	-
Faerch UKco II Ltd (formerly BDE Plastics Limited) (indirect)	England	01161386	78 Lancaster Way Business Park, Ely, Cambs., CB6 3NW	Dormant	100%	-
Faerch UKco IV Ltd (formerly Anson Food Service Limited) (indirect)	Scotland	SC067146	225 West George Street, Glasgow, G2 2ND	Dormant	100%	-
Total as at 31 December 2019 and 31 December 2020						**54,987**

The directors believe that the carrying value of the investments is supported by their net present value of the future cash flows.

All the above subsidiaries are included in the consolidation.

The Company has given a guarantee to Faerch UKco III Ltd (formerly Avro Industries Limited) and Faerch Poole Limited so they are exempt from the requirements of s479A of the Companies Act relating to the audit of individual accounts.

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14. Stocks

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Raw materials and consumables	**7,325**	7,825	**2,977**	**3,190**
Work in progress	**2,755**	3,662	**1,377**	**1,381**
Finished goods and goods for resale	**6,599**	5,695	**1,632**	**1,668**
	16,679	17,182	**5,986**	**6,239**

There is no significant difference between the replacement cost of inventory and its carrying amount.

Inventories are stated after provisions for impairment of £385,000 (2019: £814,000).

15. Debtors

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade Debtors	**4,064**	5,444	**-**	-
Amounts owed by group undertakings	**38,992**	31,867	**29,893**	7,453
Other debtors	**706**	74	**-**	17
Corporation tax	**702**	-	**630**	-
Prepayments and accrued income	**785**	1,277	**118**	122
	45,249	38,662	**30,641**	7,592

Amounts owed by group undertakings, £16,643,000 (2019: £11,931,000) is unsecured, repayable on demand and non-interest bearing. The remaining £22,349,000 (2019: £19,936,000) is subject to a cash pooling arrangement.

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

16. Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
Trade creditors	**10,937**	10,879	**2,898**	3,112
Amounts owed to group undertakings	**111,813**	98,139	**86,028**	81,537
Corporation tax	**-**	1,121	**-**	360
Other creditors	**1,174**	157	**551**	30
Other taxation and social security	**-**	3,285	**-**	-
Accruals and deferred income	**1,557**	4,031	**14**	1,132
	125,481	117,612	**89,491**	86,171

Of the amounts owed to group undertakings, £50,320,000 (2019: £48,204,000) is unsecured, repayable on demand and incur interest at a rate of LIBOR + 4.5% and £21,039,000 (2019: £16,772,000) is unsecured, repayable on demand and non-interest bearing. The remaining £40,454,000 (2019: £33,163,000) is subject to a cash pooling arrangement.

17. Pension contributions

The Company operates a defined contribution scheme for which Group the pension cost charge for the year amounted to £559,000 (Year ended 31 December 2019: £610,000) and for the Company £105,000 (Year ended 31 December 2019: £104,000).

18. Provisions for liabilities

Group

	Deferred tax liability
	£'000
At 1 January 2020	2,022
Reclassification of provision	(7)
Charged to the statement of comprehensive income (note 10)	87
At 31 December 2020	**2,102**

The provision for deferred tax consists of the following deferred tax liabilities:

	2020	2019
	£'000	£'000
Accelerated capital allowances	**2,137**	1,919
Other timing differences	**(35)**	103
	2,102	2,022

Company

	Deferred tax liability
	£'000
At 1 January 2020	604
Credited to the statement of comprehensive income	(1)
At 31 December 2020	**603**

The provision for deferred tax consists of the following deferred tax liabilities:

	2020	2019
	£'000	£'000
Accelerated capital allowances	**603**	609
Other timing differences	-	(5)
	603	604

The deferred tax asset mainly relates to accelerated capital allowances and as such there is low level of uncertainty regarding the timing.

The Company has an unprovided deferred tax asset of £405,000 (31 December 2019: £751,000) in respect of capital losses carried forward of £2,134,000 (31 December 2019: £3,952,000).

Faerch Durham Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

19. Called up share capital

Group and Company

	2020	2019
	£'000	£'000
Authorised, allotted, issued and fully paid		
6,000,001 (2019: 6,000,001) ordinary shares of £1 each (2019: £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.

20. Share Premium Account and Other Reserves

	Group	Group	**Company**	Company
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Share Premium Account	**6,599**	6,599	**6,500**	6,500
Other Reserves	**3**	3	**-**	-

21. Change in working capital

	2020	2019
	£'000	£'000
Change in inventories	**503**	(85)
Change in trade receivables	**1,380**	4,632
Change in other receivables	**(632)**	(74)
Change in prepayments	**492**	(312)
Change in trade payables	**58**	(3,412)
Change in other payables and accruals	**(4,742)**	(421)
Change in receivables from group enterprises	**(7,125)**	17,790
Change in payable to group enterprises	**13,674**	(19,379)
Total	**3,608**	(1,261)

22. Capital and other commitments

At 31 December the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020	2019 (As restated)
	£'000	£'000
Payment due:		
Not later than one year	**2,311**	2,118
Later than one year and not later than five years	**6,183**	5,385
Later than five years	**5,820**	7,060
	14,314	14,563

Following a review of the financial statements at 31 December 2019 an adjustment was made to the future minimum lease payments under non-cancellable operating leases to increase the total payable from £9,693,000 to £14,563,000 to bring in line with underlying accounting records. The adjustment was made to increase the accuracy of reporting.

At 31 December the Group had capital commitments as follows:

	2020	2019
	£'000	£'000
Contracted for but not provided in the financial statements	**644**	673

The above balances relate to items for which construction has begun and a contractual commitment to purchase the items exists, however no invoices have been raised.

23. Related party transactions

The Group is exempt from disclosing related party transactions as they are with companies that are wholly owned by Faerch Group A/S.

Notes to the financial statements for the year ended 31 December 2020 (continued)

24. Ultimate parent company and controlling party

The Company's immediate parent undertaking was FPH 2017 Limited as at 31 December 2020.

The ultimate parent, controlling party and the largest group of undertaking to consolidate these financial statements as at 31 December 2020 are Advent GPE VIII partnerships. The consolidated financial statements of Advent GPE VIII partnerships are available from Advent GPE VIII partnerships, c/o Advent International Corporation, 75 State Street, 29th Floor, Boston, MA 02109, USA.

Faerch Group A/S is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2020. The consolidated financial statements of Faerch Group A/S can be obtained from Faerch Group A/S, Rasmus Faerchs Vej, 7500 Holstebro, Denmark.

25. Events after the end of the reporting period

In March 2021, A.P. Moller Holding A/S completed the acquisition of Faerch Group A/S and its subsidiaries (including Faerch Durham Limited) from Advent International.