



Annual report and financial statements

For the year ended 31 December 2018

Prefere Resins UK Limited

Registered number: 08632551

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Contents	Page
Company information	2
Strategic report for the year ended 31 December 2018	3
Directors report for the year ended 31 December 2018	5
Statement of Directors' Responsibilities	6
Independent auditors report for the year ended 31 December 2018	7
Income Statement for the year ended 31 December 2018	10
Statement of Comprehensive Income for the year ended 31 December 2018	10
Statement of Financial Position as at 31 December 2018	11
Statement of Changes in Equity as at 31 December 2018	12
Statement of Cash Flows for the year ended 31 December 2018	13
Statement of accounting principles	14
Notes to the financial statements as at 31 December 2018	17

Directors

D Green
A Plugge
A Knebelkamp

Company Secretary

D Green

Auditor

Ernst & Young LLP
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Newcastle-Upon-Tyne
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Registered Office

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Newton Aycliffe
County Durham
DL5 6UE

Banks

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75 William Street
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EC4N 7DT

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Strategic report for the year ended 31 December 2018

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

Principal Activity

The principal activity of the company is the manufacture, selling and distribution of phenol based products.

Business Review

The trade and assets of Newton Aycliffe division of Dynea (UK) Limited, a now former sister company were transferred into Prefere Resins UK Limited (formerly PRC (UK) Limited) on 1 September 2013.

On 17 February 2014 the company was sold to Prefere Resins Holding GmbH (formerly Mellifera Zehnte Beteiligungsgesellschaft mit beschränkter Haftung)

On 11 December 2018, 100% of the shares of the company were sold to Prefere Resins UK Holding Ltd, which in turn is a 100% owned subsidiary of Prefere Resins Holding GmbH.

Prefere Resins UK Ltd places a high focus upon environmental compliance and employee health and safety – both are key cornerstones of Prefere Resins Group Operations Strategy.

In order to remain economically competitive the company has prioritised productivity increases through the de-bottlenecking of existing operations and process optimisation.

The Directors expect the company to perform satisfactorily in the coming year.

Key performance indicators

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.

Principle risks and uncertainties

The key business risks and uncertainties affecting the company are considered to be competition from similar manufacturing and distribution companies, key employee retention and feedstock availability. The company's management and directors actively monitor these risks in order to appropriately respond to any significant changes or threats to the company.

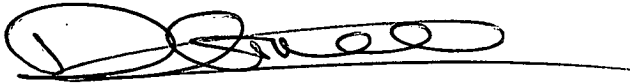
Brexit risk

Whilst the outcome of the Brexit process remains uncertain, it is likely that in addition to the risks described above there will be additional risks surrounding the importing of raw materials and exporting of finished goods. The management team is liaising with major suppliers and customers in order to mitigate as far as possible risks posed by Brexit. Given the nature of the Company's operations, management do not currently envisage any adverse impacts of Brexit in its relationships with customers and revenues, though any movements in exchange rates could have an impact on the Company's results.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effect of changes in debt, credit risk, liquidity risk, exchange rate risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of currency exposure. Detailed information on these policies is not presented as it is not deemed to be material for the assessment of the entity's assets, liabilities, financial position and Statement of Income.

Approved by the Board on 02/05/2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D Green', written over a horizontal line.

Company Secretary – D Green
02/05/2019

Directors' report for the year ended 31 December 2018

The directors present their report and financial statements for the year ended 31 December 2018 for Prefere Resins UK Limited (registered number: 08632551).

Results

The financial results for the period are set out on page 9. The results of the company show a pre-tax profit of £2.548 million for the year ended 31 December 2018 (year ended 31 December 2017 profit of £2.491 million) on turnover of £40.946 million (year ended 31 December 2017 £38.240 million).

Date of Incorporation

The company was incorporated on 31 July 2013.

Events since the balance sheet date

There are no events to report.

Going Concern

The financial statements are prepared on the going concern basis as the directors are satisfied that the company will continue as a going concern.

Directors

The directors who served the company during the year are shown on page 2.

Dividends

£1.760 million dividends were paid during the year (2017; £Nil)

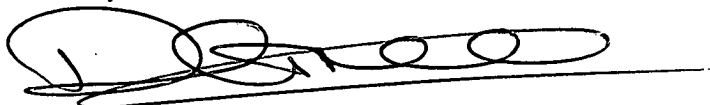
Disclosure of information to the auditor

In accordance with section 418 of the companies act 2006, so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Company Secretary - D Green
02/05/2019

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 financial period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is no longer appropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and documentation of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREFERE RESINS UK LIMITED

Opinion

We have audited the financial statements of Prefere Resins UK Limited for the year ended 31 December 2018 which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of changes in equity, Statement of cash flows and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREFERE RESINS UK LIMITED (Continued)

Other information (Continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement Page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREFERE RESINS UK LIMITED (Continued)

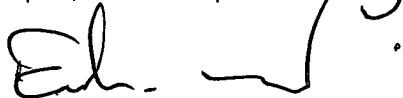
Auditor's responsibilities for the audit of the financial statements (Continued)

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



Darren Rutherford (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle Upon Tyne
02/05/2019

Income Statement

For the year ended 31 December 2018

	Notes	£'000 Year ended 31 December 2018	£'000 Year ended 31 December 2017
Turnover	1	40,946	38,240
Cost of sales		(36,442)	(33,724)
Gross profit		4,504	4,516
Other operating income		-	2
Administrative expenses		(1,980)	(1,896)
Operating profit	2	2,524	2,622
Net interest receivable/(payable) and similar charges	5	24	(131)
Profit before taxation		2,548	2,491
Tax on profit	6	(518)	(508)
Profit for the financial year		2,030	1,983

All amounts relate to continuing activities.

Statement of Comprehensive Income

For the year ended 31 December 2018

	Year ended 31 December 2018	Year ended 31 December 2017
Profit for the financial year	2,030	1,983
Total Comprehensive Income for the year	2,030	1,983

Statement of Financial Position

At 31 December 2018

	Notes	£,000 31 Dec 2018	£'000 31 Dec 2017
Fixed assets			
Intangible assets	7	2,415	2,580
Tangible assets	8	6,466	6,642
		<u>8,881</u>	<u>9,222</u>
Current assets			
Stocks	9	1,949	1,746
Debtors	10	4,902	5,257
Cash at bank and in hand	13b	3,373	2,683
		<u>10,224</u>	<u>9,686</u>
Current liabilities			
Creditors: amounts due within one year	11	(7,120)	(7,181)
		<u>3,104</u>	<u>2,505</u>
Net current assets			
		<u>11,985</u>	<u>11,727</u>
Total assets less current liabilities			
Deferred taxation	6c	(846)	(858)
Net assets		<u>11,139</u>	<u>10,869</u>
Capital and reserves			
Called up share capital	12	5,600	5,600
Profit and Loss account	18	5,539	5,269
Total shareholders' funds		<u>11,139</u>	<u>10,869</u>

The financial statements were approved by the board of directors on 02/05/2019 and signed on its behalf by:



D Green – Director
02/05/2019

Statement of changes in Equity

At 31 December 2018

	Share Capital	Profit & Loss Account	Total
At 1 January 2017	5,600	3,286	8,886
Profit for the year	-	1,983	1,983
Dividends paid	-	-	-
At 31 December 2017	5,600	5,269	10,869
Profit for the year	-	2,030	2,030
Dividends paid	-	(1,760)	(1,760)
At 31 December 2018	5,600	5,539	11,139

Statement of cash flows

For the year ended 31 December 2018

		£'000	£'000
		Year ended 31 December 2018	Year ended 31 December 2017
	Notes		
Net cash inflow/(outflow) from operating activities	13a	2,862	(576)
Returns on investment and servicing of finance			
Interest paid		(4)	(210)
Interest received		28	-
Dividends Paid		(1,760)	-
Net cash inflow/(outflow) from returns on investment and servicing of finance		1,126	(210)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(436)	(633)
Net cash outflow from capital expenditure and financial investments		(436)	(633)
Increase/(Decrease) in cash before financing		690	(1,419)
Increase/(Decrease) in net cash		690	(1,419)

Statement of accounting principles

Statement of Compliance

Prefere Resins UK Limited is a private limited liability company, limited by shares, incorporated in England. The registered office is Aycliffe Industrial Park, County Durham DL5 6UE. The company's financial statements have been prepared in compliance with FRS 102, for the period ended 31 December 2018.

In these financial statements, the company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Section 33.1A Related Party Disclosures

The group in which the results of the Company are consolidated is Prefere Resins Holding GmbH. Consolidated financial statements are available at Bundesanzeiger Verlag, Germany.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP sterling which is the functional currency of the company and rounded to the nearest £'000.

The accounting principles used to prepare the financial statements are based on historical cost, unless stated otherwise.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on the on amounts recognised in the financial statements;

Operating Lease Commitments

As a lessee, the company enters into plant and equipment leases. The classification of such leases as operating or finance lease requires the company to determine, based on evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Taxation

Judgement is required when determining the provision for taxes. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The company reviews each significant tax liability or benefit to assess the appropriate accounting treatment. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future profits.

There are no significant sources of estimation uncertainty within the financial statements.

Statement of accounting principles (continued)

Goodwill

The purchase method of accounting is used to account for the acquisition of trade and assets by the company. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued plus costs directly attributable to the acquisition. Goodwill represents the excess of the cost of acquisition over the fair value of the net indefinable assets.

Amortisation is calculated, using the straight line method, to amortise goodwill over its estimated useful life of 20 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. 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 which is not depreciated, so as to write off the cost in equal instalments (straight line) over their estimated useful lives as follows:

- Freehold buildings - twenty to twenty five years
- Plant and machinery - three to twenty five years
- Other equipment - three to ten years

Where there is an indicator of impairment, the directors assess the carrying value of the tangible fixed asset.

Assets under construction represent costs incurred to date in bringing the asset to its current state of completion. Assets under construction are not depreciated.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost represents average purchase price or production cost including tolling production charges and appropriate production overheads.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at banks and in hand.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Statement of accounting principles (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Translation differences are included in operating results in the Income Statement.

Operating leases

Costs in respect of operating leases are charged to the Income Statement over the lease term.

Pensions

The company operates a defined contribution scheme, the assets of which are held separately from those of the company in an independently administered fund. The contributions payable to the scheme in respect of employee service rendered during the accounting period are recognised as an expense when incurred.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Notes to the financial statements

For the year ended 31 December 2018

1. Turnover

Turnover represents amounts receivable in respect of sales, net of trade and other discounts, excluding value added tax. Turnover is recognised on dispatch of goods sold, when the risks and rewards are passed to the customer. Turnover is all in respect of a single business activity, based in the United Kingdom.

Segmental analysis has not been disclosed as Prefere Resins UK Limited's ultimate parent undertaking provides segmental accounting disclosures in compliance with the relevant standard and which includes the company's results.

2. Operating profit

Operating profit is stated after charging:

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Stock Usage	30,984	28,477
Depreciation	612	659
Amortisation	165	164
Operating lease charges:		
- Plant and machinery	39	38
- Other	3	1
Auditors remuneration:		
- Statutory audit services	38	38
- Non audit services – tax compliance/advisory	3	11
Foreign exchange losses	15	69

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Employees

The average number of employees of the company by activity during the period was:

	Number of people	
	Year ended 31 December 2018	Year ended 31 December 2017
Production	38	36
Sales and administration	7	7
Total	45	43

The analysis of staff costs for the year ended 31 December 2018 is as follows:

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Wages and salaries	1,800	1,764
Social security costs	198	193
Pensions	267	246
	2,265	2,203

4. Key management personnel

Only Directors are considered to be key management personnel. Total remuneration in respect of these individuals is as follows;

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Remuneration	80	113
Pension contributions	12	13
	92	126

There were no amounts accruing in relation to the Director's pension contributions at 31 December 2018 (2017: £nil). One director participated in the company pension scheme.

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Net interest payable and similar charges

Interest payable and similar charges in the year ended 31 December 2018 is as follows:

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Interest payable to group companies	-	127
Interest payable to external companies	4	4
Interest income	(28)	-
Net interest (Income)/Payable	(24)	131

6. Taxation

a) Tax on profit

Tax on profit in the year ended 31 December 2018 is as follows:

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Current tax		
UK corporation tax	514	535
Adjustments in respect of prior period	16	2
Total current tax	530	537
Deferred tax		
Origination and reversal of timing differences	(16)	(21)
Effect of changes in tax rates	2	-
Adjustments in respect of prior period	2	(8)
	(12)	(29)
Total tax	518	508

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Taxation (continued)

b) Factors affecting the tax charge in the period

The tax assessed for the year is based on the standard rate of corporation tax in the UK of 19% (2017: 19.25%) with any differences explained below:

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Profit before tax	2,548	2,491
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	484	480
<i>Effects of:</i>		
Adjustment from previous periods	18	(6)
Expenses not deductible for tax purposes	31	34
RDEC taxed previously	(17)	-
Tax rate changes	2	-
Total tax for the year	518	508

c) Deferred tax

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
As at 1 January 2017	858	887
Deferred tax credit to income statement	(12)	(29)
As at 31 December 2018	846	858

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Taxation (continued)

c) Deferred tax (continued)

	Year ended 31 December 2018	Year ended 31 December 2017
Accelerated capital allowances	846	858
As at 31 December 2018 and 2017	846	858

d) Factors affecting future tax charge

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at 19.00% compared to an effective rate of 19.25% in 2017.

The standard rate will fall further to 17% with effect from 1 April 2020, and as such the deferred tax liability in these financial statements has been calculated at 17%, being the rate at which the majority of the timing differences will reverse.

7. Intangible assets

	Goodwill £'000
Cost	
As at 1 January 2018	3,284
Adjustments to goodwill	-
As at 31 December 2018	3,284
Amortisation	
As at 1 January 2018	704
Charge for the year	165
As at 31 December 2018	869
Net book value	
At 31 December 2018	2,415
At 1 January 2018	2,580

Notes to the financial statements (continued)

For the year ended 31 December 2018

8. Tangible Assets

	£'000	£'000	£'000	£'000
	Freehold land and buildings	Plant and Machinery	Assets under construction	Total
Cost				
As at 1 January 2018	2,006	6,891	264	9,161
Additions	-	-	436	436
Transferred from assets under construction	-	165	(165)	-
As at 31 December 2018	2,006	7,056	535	9,597
Depreciation				
As at 1 January 2018	340	2,179	-	2,519
Charge for the year	70	542	-	612
As at 31 December 2018	410	2,721	-	3,131
Net book value				
At 31 December 2018	1,596	4,335	535	6,466
At 1 January 2018	1,666	4,712	264	6,642

Included in Freehold land and buildings above is freehold land, with an estimated cost of £193,000, which is not depreciated.

9. Stock

	£'000	£'000
	2018	2017
Raw materials	682	787
Finished goods and goods for resale	1,267	959
	1,949	1,746

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Debtors

	£'000	£'000
	2018	2017
Trade debtors	2,360	2,786
Amounts owed by group undertakings	995	1,003
Other debtors	1,245	1,317
Corporation tax recoverable	121	-
Prepayments and accrued income	181	151
	<u>4,902</u>	<u>5,257</u>

The amounts owed by group undertakings includes intercompany trading of £927,090 (2017 £964,019).

The remainder is a recharge of sales commission and service fee cost.

11. Creditors

	£'000	£'000
	2018	2017
Trade creditors	5,632	5,758
Amounts owed to group undertakings	323	182
Corporation tax payable	281	325
Other taxes and social security costs	53	44
Accruals and deferred income	831	872
	<u>7,120</u>	<u>7,181</u>

The intercompany balance relates to Royalties of £60,248 (2017 £nil), Sales Commissions £82,221 (2017 £76,196), Management Fees £164,203 (2017 £92,095) and IT recharges 16,715 (2017 £14,330).

Notes to the financial statements (continued)

For the year ended 31 December 2018

12. Issued share capital

	£'000	£'000
	2018	2017
<i>Allotted, called up and fully paid</i>		
5,600,001 Ordinary shares of £1 each	5,600	5,600
	<u>5,600</u>	<u>5,600</u>

13. Notes to statement of cash flows

a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Operating profit	2,524	2,622
Add back: Depreciation and amortisation	777	823
Tax Paid	(574)	(370)
R&D Tax Credit Adjustment	(121)	-
Movements:		
Decrease/(Increase) in debtors	476	(1,824)
Increase in stock	(203)	(743)
Decrease in creditors	(17)	(1,084)
Total net cash inflow/(outflow) from operating activities	<u>2,862</u>	<u>(576)</u>

Notes to the financial statements (continued)

For the year ended 31 December 2018

13. Notes to statement of cash flows (continued)

b) Analysis of change in net funds

	£'000	£'000	£'000	£'000
	At 1 January 2018	Cash flow	Non-cash movements	At 31 December 2018
Cash at bank and in hand	2,683	690	-	3,373
	2,683	690	-	3,373

14. Post balance sheet date events

There are no post balance sheet events to report.

15. Other financial commitments

At 31 December 2018 the company had commitments under non-cancellable operating leases as set out below:

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	40	42
In two to five years	60	101
In over five years	-	-
	100	143

16. Related party transactions

The company has not disclosed transactions with other Group companies, as it has taken advantage of the exemption contained within FRS 102.33.1A on the grounds that the company is a wholly owned subsidiary.

Notes to the financial statements (continued)

For the year ended 31 December 2018

17. Ultimate parent undertaking and controlling party

At the Balance Sheet date, Prefere Resins Holding GmbH, a company registered in Germany, was the company's ultimate parent undertaking. The company's immediate parent undertaking is Prefere Resins UK Holding Ltd.

18. Reserves

Profit and Loss

This reserve records the cumulative amount of profits and losses, less dividends paid, recorded since incorporation.

19. Financial Instruments

	£'000	£'000
	Year ended 31 December 2018	Year ended 31 December 2017
Financial assets that are debt instruments measured at amortised cost;		
Amounts owed by external debtors	3,605	4,103
Amounts owed by group undertakings	995	1,003
Financial liabilities measured at amortised cost;		
Amounts owed to external creditors	(5,632)	(5,758)
Amounts owed to group undertakings	(323)	(182)

Interest is charged by group undertakings at commercial rates and on an arms-length basis.