

Co. House

**AR Packaging Highbridge Limited**

Annual report and financial statements

Registered number 06371607

31 December 2019



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Registered number: 06371607

## Strategic report

### Principal activity

AR Packaging Highbridge Limited is a subsidiary of the Swedish company AR Packaging International AB (itself part of AR Packaging AB).

In March 2020, the company changed its legal name from Flextrus Limited to AR Packaging Highbridge Limited.

Located in Highbridge, Somerset, the Company is a long established manufacturer of unprinted barrier plastic films to the fresh and processed meat markets. It sells mainly into the UK & Ireland and Continental Europe.

The Company additionally acts as a trading intermediary for products sold from the Swedish AR Packaging plants into the UK & Ireland.

### Business performance review

	2019	<i>Restated</i> 2018	Change %
	£000	£000	
Turnover	7,605	8,553	(11%)
Gross Profit	2,300	2,156	7%
Operating profit	476	422	13%
Profit after tax	376	321	17%
Net current assets	4,060	3,660	11%
Average number of employees	29	29	0%

2019 profit saw a consolidation of the good result from the previous year. Despite a reduction in Turnover, our Gross Profit was able to show an improvement over the previous year.

The reduction in Turnover of 11% was mainly due to the transfer of non-manufactured Traded Goods volume to another AR Packaging group site. This accounted for 6% of the overall reduction.

Whilst UK & Ireland manufactured turnover continued to show good growth and improving margin, lost volume at some Scandinavia & Continental Europe customers resulted in turnover reduction of 5% for manufactured goods.

New business won throughout 2019 along with continued efficiency improvements and stable raw materials allowed Gross Profit to more than recover from the loss of turnover and show an improvement of 7% on the previous year.

Following a dip in raw material prices during 2020 due to falling demand caused by the Covid pandemic, raw material costs are now forecast to increase at the start of 2021. We are confident that through working closely with both suppliers & customers and driving production efficiencies we will be able to continue to improve our gross margin.

The Coronavirus pandemic had minimal impact on the turnover of the business during 2020 as the large majority of our end use customers operate in the retail sector. We continue to follow all government guidelines and have risk assessed our working environment to minimise the Covid risk for our employees and ongoing business operation.

With a strong UK customer base we are able to minimise the business risk due to Brexit. Through detailed planning we are confident that our supply chain will not be affected and we will continue to provide a seamless supply to our customers within both the UK and EU.

The Company's standard Terms & Conditions are agreed in advance with both suppliers and customers of goods and services. The Company's policy is to adhere to the standard terms unless exceptions are mutually agreed.

The Company continues to benefit from an experienced and skilled workforce, ongoing accreditations of ISO 9001, ISO 14001 and BRC Global Standard for Packaging & Packaging Materials, excellent key customer and supplier relationships and continued innovation of existing & new products.

## **Strategic report (continued)**

The Company continues to generate a healthy positive cash flow with our cash balance at 2019 year end up by 45% to £2,837k (2018: £1,958k). The cash balance has continued to improve further during 2020.

Net current assets increased to £4,060k (2018: £3,660k).

The Company is financed by shareholders' funds of £4,409k (2018: £4,041k) and has no external bank borrowing or internal loans.

Comparative financial information for the year ended 31 December 2018 has been restated in these accounts to reflect the implementation of IFRS 16, effective for annual periods that begin on or after 1 January 2019. The impact of the adoption of IFRS 16 on the company has been explained in notes 1 and 21.

### **Employees**

Staffing levels remained the same throughout 2019 at an average of 29 employees. Payroll costs amounted to £1,401k (2018: £1,306k).

### **Principle risks and uncertainties**

- The ongoing Coronavirus pandemic remains a significant threat to the business. Whilst we have taken every precaution, any positive Covid cases within the factory environment would create a short term risk to our manufacturing operation.
- New customs procedures following the UK's withdraw from the European Union is causing some short term logistical issues for all who trade with the EU but we are confident that our detailed Brexit planning will minimise any longer term risks to the Company.
- Volatility in Raw material prices may impact in the short term on our ability to maintain and improve margin.
- With a significant number of sales and purchases in Euros, rapid exchange rate movements will continue to be a risk to profitability.
- The majority of the Company's revenues are derived from stable organisations and group undertakings, therefore the credit risk is considered to be small. Credit risk is managed by closely monitoring its customers. Where the Company assesses a potential credit risk, this is dealt with either by up-front payment prior to the shipment of goods or by other credit risk mitigation measures.

By order of the board



**Leif Asp**  
Director

*AR Packaging Highbridge Limited  
1 Gass Close  
Isleport Business Park  
Highbridge  
Somerset  
TA9 4JT*

*25<sup>th</sup>* January 2021

## **Directors' report**

The directors' present their report and the financial statements for the year ended 31 December 2019.

### **Directors**

The directors who held office during the year and up to the date of signing the audit report were as follows:

T Forsgard  
L I Asp

### **Going concern**

The Company has sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Company is well placed to manage their business risks successfully. The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

### **Political and charitable contributions**

The Company made no political donations nor incurred any political expenditure during the period (2018: £nil). Charitable donations in 2019 amounted to £2k (2018: £nil).

### **Other Information**

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

### **Disclosure of information to auditors**

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

### **Auditor**

PKF Francis Clark were the auditors for 2019. The auditor will be deemed to be reappointed and PKF Francis Clark will therefore continue in office.

By order of the board

  
Leif Asp  
Director

*AR Packaging Highbridge Limited*  
*1 Gass Close*  
*Isleport Business Park*  
*Highbridge*  
*Somerset*  
*TA9 4JT*

25<sup>th</sup> January 2021

## Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Independent auditor's report to the members of AR Packaging Highbridge Limited

### Opinion

We have audited the financial statements of AR Packaging Highbridge Limited (the 'company') for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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 our report, we do not express any form of assurance conclusion 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 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent auditor's report to the members of AR Packaging Highbridge Limited (continued)**

### **Other information**

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; or
- the Strategic Report and the 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report .

## **Independent auditor's report to the members of AR Packaging Highbridge Limited** *(continued)*

### **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 that 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, or the opinions we have formed.



Nicholas Farrant BA MSc FCA (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor

Ground Floor  
Blackbrook Gate 1  
Blackbrook Business Park  
Taunton  
Somerset  
TA1 2PX

28<sup>th</sup> January 2021

**Profit and Loss Account**  
*for the year ended 31 December 2019*

	<i>Note</i>	2019 £000	<i>Restated</i> 2018 £000
Turnover	2	7,605	8,553
Cost of sales		(5,305)	(6,397)
		<hr/>	<hr/>
Gross profit		2,300	2,156
Distribution costs		(224)	(237)
Administrative expenses		(1,600)	(1,497)
		<hr/>	<hr/>
Operating Profit		476	422
Interest receivable		7	15
Interest payable and similar charges		(25)	(26)
		<hr/>	<hr/>
Profit before taxation		458	411
Tax on profit	6	(82)	(89)
		<hr/>	<hr/>
Profit for the financial year		<u>376</u>	<u>322</u>

All results arose from continuing operations.

There were no recognised gains or losses other than those reflected in the profit and loss account and accordingly no separate statement of comprehensive income has been prepared.

The notes on pages 11 to 23 form part of these financial statements.

**Balance Sheet**  
*at 31 December 2019*

	Note	2019 £000	Restated 2018 £000
<b>Fixed assets</b>			
Tangible fixed assets	7	293	355
Right of use assets	17	499	453
		<hr/>	<hr/>
		792	808
<b>Current assets</b>			
Stocks	8	875	1,172
Debtors	9	1,727	1,891
Cash at bank and in hand	10	2,837	1,958
		<hr/>	<hr/>
		5,439	5,021
<b>Creditors: amounts falling due within one year</b>	11	(1,379)	(1,361)
		<hr/>	<hr/>
<b>Net current assets</b>		4,060	3,660
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		4,852	4,468
		<hr/>	<hr/>
<b>Creditors: amounts falling due after one year</b>	12	(368)	(375)
<b>Provisions for liabilities</b>			
Deferred tax liability	13	(3)	(11)
Other provisions	14	(64)	(41)
		<hr/>	<hr/>
		(75)	(52)
		<hr/>	<hr/>
<b>Net assets</b>		4,417	4,041
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	1,500	1,500
Profit and loss account		2,917	2,541
		<hr/>	<hr/>
<b>Shareholders' funds</b>		4,417	4,041
		<hr/>	<hr/>

The notes on pages 11 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 25<sup>th</sup> January 2021 and were signed on its behalf by:

  
L. Asp

Director

Company registered number: 06371607

## Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2018 (Restated)	1,500	2,219	3,719
<b>Total comprehensive income for the year</b>			
Profit for the year (Restated)	-	322	322
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year (Restated)	-	322	322
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018 (Restated)</b>	<b>1,500</b>	<b>2,541</b>	<b>4,041</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2019 (Restated)	1,500	2,541	4,041
<b>Total comprehensive income for the year</b>			
Profit for the year	-	376	376
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	376	376
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2019</b>	<b>1,500</b>	<b>2,917</b>	<b>4,417</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 23 form part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

AR Packaging Highbridge Limited is a company incorporated and domiciled in the UK. Its registered address is 1 Gass Close, Isleport Business Park, Highbridge, Somerset, TA9 4JT. (Company Registered No. 06371607).

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 and effective immediately have been applied. The financial statements are presented in Stirling, which is the functional currency of the Company.

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

The Company's ultimate parent undertaking, AR Packaging AB, includes the Company in its consolidated financial statements. The consolidated financial statements of AR Packaging AB are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from AR Packaging AB, Maskinvägen 1, SE-227-30 Lund, Sweden.

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

- IFRS 7 disclosures regarding financial instruments;
- IFRS 13 disclosures on fair values;
- IAS 1 requirement for full comparative information on property, plant and equipment;
- IAS 1 requirement to disclose the Company's objectives, policies and processes for managing capital;
- IAS 7 requirement to produce a statement of cash flows and related notes;
- IAS 8 requirement to disclose information about the impact of standards not yet effective;
- IAS 24 requirements in respect of disclosing remuneration of key management personnel and intragroup transactions.

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

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the Company:

- *IFRS 16 Leases* is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. As at the date of initial application of IFRS 16, 1 January 2019, the impact of the adoption of IFRS 16 on the company has been explained in note 21.

The application of other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years.

## Notes (continued)

### 1 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which, for these purposes, is taken to mean a period of at least 12 months from the date of approval of these accounts. Accordingly, they adopt the going concern basis in preparing the financial statements.

In making this assessment the directors have given particular consideration as to the impact of the COVID-19 pandemic (which is deemed to be a non-adjusting post balance sheet event) and Brexit, and the known impacts of these events on the company are described in the Strategic Report. The directors have prepared financial budgets for the period to December 2021 and are satisfied, having also made all necessary enquiries of the parent group, that, whilst both Brexit and the pandemic are likely to cause some disruption in operations, there is no uncertainty in respect of the going concern status of the Company.

#### 1.3 Foreign currency

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

#### 1.4 Tangible fixed assets

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

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

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

Right-of-use assets consist of various leases which are carried under the cost model. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 5 - 15 years
- fixtures and fittings 3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Research and development

Expenditure on research and development activities are recognised in the profit and loss account as an expense as incurred.

#### 1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Where necessary, provision is made for obsolete, slow moving and defective stock.

#### 1.7 Trade and other debtors

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

#### 1.8 Trade and other creditors

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

#### 1.9 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

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

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

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.10 Employee benefits

##### *Defined contribution plans*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### 1.12 Turnover

Turnover is mainly derived from the Company's principal activity of manufacturing and supplying packaging primarily to the food industry.

Additional sources of turnover are from the sale of traded goods which are purchased and sold on without any further manufacturing process and from subcontract slitting services for the other AR Packaging group companies (see note 2).

Turnover is based on the invoiced value from the sale of goods and services, net of VAT and is recognised on the date of delivery.

Included within turnover are deductions for customer claims, customer rebates and early payment discounts.

#### 1.13 Taxation

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

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

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

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

## Notes (continued)

### 2 Turnover

	2019 £000	2018 £000
Sale of goods	7,519	7,956
Rendering of services	86	597
Total turnover	<u>7,605</u>	<u>8,553</u>
By activity		
Manufactured goods	7,519	7,956
Traded goods	79	593
Subcontract slitting	7	4
	<u>7,605</u>	<u>8,553</u>
By geographical market		
UK & Eire	5,838	6,058
Scandinavia	778	1,268
Central Europe	913	1,150
Other	76	77
	<u>7,605</u>	<u>8,553</u>

### 3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019 £000	Restated 2018 £000
Depreciation of tangible fixed assets	102	107
Depreciation on right of use assets	146	121
Re-measurement of right of use assets	(172)	(108)
Interest expense on right of use assets	25	26
Research and development expensed as incurred	16	16
Foreign exchange losses	22	22

Auditor's remuneration:

Audit of these financial statements	14	13
Amounts receivable by the Company's auditor and its associates in respect of: Taxation compliance services	<u>2</u>	<u>3</u>

## Notes (continued)

### 4 Staff numbers and costs

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

	Number of employees	
	2019	2018
Direct	13	13
Indirect	16	16
	<u>29</u>	<u>29</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	1,207	1,108
Social security costs	109	119
Contributions to defined contribution plans	84	79
	<u>1,400</u>	<u>1,306</u>

### 5 Directors' remuneration

No directors were on the payroll of the Company during the year ended 31 December 2019 (2018: none). All directors' remuneration costs are borne by AR Packaging AB, of which the Company is a subsidiary undertaking. With respect to the duties relating to their services to the Company, remuneration amounted to £46,000 (2018: £45,000).

### 6 Taxation

#### Recognised in the profit and loss account

	2019		2018	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	90		93	
Total current tax		<u>90</u>		<u>93</u>
<i>Deferred tax (see note 13)</i>				
Origination and reversal of temporary differences	(8)		(4)	
Total deferred tax		<u>(8)</u>		<u>(4)</u>
Tax on profit		<u>82</u>		<u>89</u>

## Notes (continued)

### 6 Taxation (continued)

#### Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit excluding taxation	458	450
Tax using the UK corporation tax rate of 19% (2018: 19%)	87	86
Fixed assets differences	2	2
Non-deductible expenses	1	1
Impact of IFRS 16	(8)	-
	<u>82</u>	<u>89</u>
Total tax expense	<u>82</u>	<u>89</u>

The deferred tax liability at 31 December 2019 has been calculated based on a corporation tax rate of 17% (2018: 17%), being the rate substantively enacted as at the balance sheet date for future periods with effect from 1 April 2020. Subsequently, at Budget 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

No taxation has been recognised in other comprehensive income or equity.

### 7 Tangible fixed assets

	Plant and equipment £000	Fixtures & fittings £000	Total £000
<b>Cost</b>			
Balance at 1 January 2019	1,701	285	1,986
Additions	6	35	41
	<u>1,707</u>	<u>320</u>	<u>2,027</u>
Balance at 31 December 2019	<u>1,707</u>	<u>320</u>	<u>2,027</u>
<b>Depreciation and impairment</b>			
Balance at 1 January 2019	1,430	201	1,631
Depreciation charge for the year	79	24	103
	<u>1,509</u>	<u>225</u>	<u>1,734</u>
Balance at 31 December 2019	<u>1,509</u>	<u>225</u>	<u>1,734</u>
<b>Net book value</b>			
At 1 January 2019	271	84	355
	<u>198</u>	<u>95</u>	<u>293</u>
At 31 December 2019	<u>198</u>	<u>95</u>	<u>293</u>

## Notes (continued)

### 8 Stocks

	2019 £000	2018 £000
Raw materials and consumables	122	325
Work in progress	381	499
Finished goods	372	348
	<u>875</u>	<u>1,172</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £4,539k (2018: £5,580k).

### 9 Debtors

	2019 £000	2018 £000
Trade debtors	1,614	1,784
Prepayments and accrued income	113	107
	<u>1,727</u>	<u>1,891</u>

No debtors fall due after more than one year (2018: £nil).

Trade debtors are stated after provisions for impairment of £5k (2018: £5k).

### 10 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	2,837	1,958

### 11 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	336	613
Amounts owed to group undertakings	392	264
Right of use asset creditor	169	118
Taxation and social security	169	122
Corporation tax	51	61
Accruals and deferred income	262	183
	<u>1,379</u>	<u>1,361</u>

Amounts owed to group companies are trading balances repayable on demand and are non-interest bearing.

## Notes (continued)

### 12 Creditors: amounts falling due after one year

	2019 £000	2018 £000
Right of use asset creditor	368	375
	<u>368</u>	<u>375</u>

### 13 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	Assets 2018 £000	Liabilities 2019 £000	Liabilities 2018 £000	Net 2019 £000	Net 2018 £000
Tangible fixed assets	-	-	9	11	9	11
Other timing differences	(6)	-	-	-	(6)	-
	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>3</u>	<u>11</u>
Net tax (assets) / liabilities	(6)	-	-	11	3	11

#### Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Tangible fixed assets	11	(2)	3
Other timing differences	-	(6)	(6)
	<u>11</u>	<u>(8)</u>	<u>3</u>

#### Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	16	(5)	11
Other timing differences	(1)	1	-
	<u>15</u>	<u>(4)</u>	<u>11</u>

## Notes (continued)

### 14 Provisions

	2019 £000	2018 £000
Balance at 1 January 2019	41	16
Provisions made during the year	93	28
Provisions utilised during the year	(70)	(3)
<b>Balance at 31 December 2019</b>	<b>64</b>	<b>41</b>

Provisions relate to customer quality claims. The utilised provision relates to claims paid out during the year.

### 15 Employee benefits

#### Defined contribution plans

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £84,000 (2018: £79,000). There were no amounts outstanding contributions at the end of the year (2018: £nil).

### 16 Capital and reserves

#### Share capital

*In thousands of shares*

	2019 Number	Ordinary shares 2018 Number
On issue at 1 January 2019	1,500	1,500
On issue at 31 December 2019 – fully paid	1,500	1,500
	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,500	1,500
	1,500	1,500

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

## Notes (continued)

### 17 Right of use assets

	Buildings £000	Production equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 2019 (Restated)	516	59	22	597
Additions	139	32	21	192
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	655	91	43	789
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
Balance at 1 January 2019 (Restated)	103	19	22	144
Charge for the year	125	14	7	146
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	228	33	29	290
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>				
At 1 January 2019 (Restated)	413	40	-	453
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	427	58	14	499
	<hr/>	<hr/>	<hr/>	<hr/>

### 18 Related parties

The Company has applied exemptions available under FRS101 relating to transactions with wholly owned group companies and transactions with key management personnel.

### 19 Ultimate parent company and parent company of larger group

The Company is controlled by AR Packaging AB which is the ultimate parent company incorporated in Sweden.

To September 2019, the immediate parent company was Flextrus Group AB. In September 2019, the shares of the Company were transferred within the group from Flextrus Group AB to AR Packaging International AB, incorporated in Sweden, and AR Packaging International AB became the immediate parent company.

The only group in which the results of the company are consolidated is that headed by AR Packaging AB, incorporated in Sweden. The consolidated financial statements of this group are available to the public and may be obtained from its registered address at AR Packaging AB, Maskinvägen 1, SE-227-30, Lund, Sweden.

## Notes (continued)

### 20 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

#### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See note 7 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

#### *Impairment of debtors*

The Company makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 9 for the net carrying amount of the debtors and associated impairment provision.

#### *Critical accounting judgements in applying the Company's accounting policies*

The key accounting judgement that has a significant impact on the financial statements of the Company in respect of going concern, as described in the accounting policy in Note 1.2.

### 20 Non adjusting events after the financial period

The directors are satisfied, having given due consideration to Financial Reporting Council guidance, that the global pandemic COVID-19 is not an adjusting post balance sheet event for the 31 December 2019 financial statements.

### 21 Financial impact of the adoption of IFRS 16

	2019	2018
	£000	£000
<b>Impact on Profit &amp; Loss for the year</b>		
Increase in depreciation on right of use assets	(146)	(121)
Increase in finance costs	(25)	(26)
Reduction in other costs	172	108
	<hr/>	<hr/>
<b>Balance at 31 December</b>	<b>1</b>	<b>(39)</b>
	<hr/>	<hr/>

Notes (continued)

21 Financial impact of the adoption of IFRS 16 (continued)

Impact on assets, liabilities & equity As at 1 January 2018	As previously reported £000	IFRS 16 adjustment £000	As restated £000
Right of use asset	-	20	20
Lease liability	-	(21)	(21)
Net impact on assets and liabilities	-	(1)	(1)
Retained earnings	-	(1)	(1)
Impact on assets, liabilities & equity As at 31 December 2018	As previously reported £000	IFRS 16 adjustment £000	As restated £000
Right of use asset	-	453	453
Lease liability	-	(493)	(493)
Net impact on assets and liabilities	-	(40)	(40)
Retained earnings	-	(40)	(40)
Impact on assets, liabilities & equity As at 31 December 2019	As previously reported £000	IFRS 16 adjustment £000	As restated £000
Right of use asset	-	499	499
Lease liability	-	(538)	(538)
Net impact on assets and liabilities	-	(39)	(39)
Retained earnings	-	(39)	(39)