Company Registration Number: 06366267

Can-Pack UK Limited

Annual report and financial statements

for the year ended 31 December 2018

Can-Pack UK Limited

Officers and Professional Advisers

Can-Pack UK Limited

Officers and Professional Advisers

Directors

P M Fisher
G Beard
M B Burkinshaw

Secretary

P M Fisher

Registered office

Plot 18
Skippingdale Industrial Estate
Scunthorpe
North Lincolnshire
DN15 8NN

Bankers

HSBC
84 High Street
Scunthorpe
North Lincolnshire
DN15 6HQ

Solicitors

Wilkin Chapman
Cartergate House,
26 Chantry Lane,
Grimsby
North East Lincolnshire
DN31 2LJ

Auditors

Deloitte LLP
1 City Square,
Leeds.
LS1 2AL

Can-Pack UK Limited

Strategic Report

Principal activity and review of the business

The Company is a wholly owned subsidiary of Can-Pack SA, a Company registered in Poland, and its principal activity is the manufacture of aluminium beverage cans.

Sales volume has decreased slightly but despite this there has been an increase in revenue in 2018: £116,617,792 (2017: £115,596,028). This is caused by an increase in our resale goods such as can ends and cans for resale.

The increase in receivables from £37,512,473 to £38,320,638 is due to the sales to the group company in the Netherlands and the IFRS 15 related adjustment; external receivables have dropped by 18.4% (£4,782,330), caused by a large decrease on a couple of external customers in the final quarter. There has been an overall 8.2% increase in payables due to increased activity towards the end of 2018, and therefore increased spend in Q4; external payables have increased by 32.3% (£834,899), related payables have dropped by 8.7% (£971,455). Inventory has decreased by 33.3% (£3,708,148), this is due to the IFRS 15 related adjustment reducing our finished goods inventory. The reason for this reduction is due to the fact our finished goods inventory is deemed to be customised in nature as a result of the binding sales agreements with customers.

Key performance indicators

The performance for the year together with comparative data is set out in the table below:

	2018	2017	Definition, method of calculation and analysis
Gross profit (%)	17.1%	19.0%	The ratio of gross profit to sales expressed as a percentage.
Return on sales (%)	1%	2%	Operating profit expressed as a percentage of sales.
Return on capital employed	2%	4.3%	Operating profit expressed as a percentage of net assets.

The decrease in gross profit has been caused by a number of reasons the main reason being the increased cost of aluminium. Closer control of direct overheads has helped to alleviate any further reduction in the margin.

The return on sales decrease feeds through from the gross profit, the Company continues to focus on overhead controls.

The return on capital employed has decreased mainly due to the lower profitability during 2018 combined with a small increase in net assets.

Principal risks and uncertainties

The UK market is competitive and, because of the high cost of entry into the UK market with respect to manufacturing facilities, is very dependent upon sales volume. The principal risk is therefore loss of sufficient sales volume to run a profitable business. In order to mitigate this risk, the Company maintains a constant focus on quality levels, customer service and stringent cost management in order to provide our customers with a high quality product at a competitive price. This approach is one of the key pillars of our Company strategy.

Cash flow risk is limited because the Company, through its parent holding company, has access to long term group borrowings which finance the business. The operation of Can-Pack UK Limited within the UK market is a long term, strategic investment by the Can-Pack SA Group and, as long as performance is in line with long term plans, this financing will remain available.

Can-Pack UK Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. The credit risk for liquid funds is not considered significant, since the counterparty is a high street bank with a high quality external credit rating. For the other financial assets, the Company's policy is to only deal with creditworthy counterparties. All debts are closely controlled and monitored by management.

Future developments

The directors expect the general level of activity to be maintained in the forthcoming year. In the longer term due to the Company's number of export sales and raw material imports the results of the UK government's Article 50 negotiations with the EU, specifically in relation to trade tariffs, may impact upon future performance but at this time this remains uncertain.

Approved by the Board of Directors and signed on behalf of the Board

G Beard
Director
22 May 2019

Can-Pack UK Limited

Directors' report

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

Results and proposed dividends

The results for the year are dealt with in the income statement on page 10. The profit for the year of £626,174 (2017: £1,769,690) has been taken to reserves.

The net assets of the company have increased to £55,267,119 (2017 £54,659,473) due to a positive impact arising from both the profit for the year and the adjustment for IFRS 15 at the year end, partially offset by the negative impact of the hedging reserve movement.

The directors do not recommend the payment of a dividend (2017: £nil).

Future developments

The Company's business activities, together with expected future developments and performance, are set out in the Strategic Report. Note 23 of these financial statements includes the Company's objectives, policies and processes for managing its capital, along with its exposure to credit risk, liquidity risk and foreign exchange risk.

Post balance sheet events

There are no adjusted or unadjusted post balance sheet events.

Research and Development

Can Pack UK has not undertaken any research and development during 2018 (2017: £Nil).

Political contributions

It is the Company's policy not to make contributions for political purposes.

Going concern

The Company has sufficient financial resources, together with long term contracts with a number of its major customers, to continue as a going concern for the foreseeable future. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and producing detailed cash flow projections based upon contracted sales, as well as reviewing the financial position of the Company, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopted the going concern basis in preparing the financial statements.

Directors

The directors who served during the year and subsequently were as follows:

P M Fisher
G Beard
M B Burkinshaw

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' report (continued)

Disclosure of information to auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Board Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G Beard
Director
22 May 2019

Can-Pack UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

Independent auditor's report to the members of Can-Pack UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Can-Pack UK Limited (the 'company'):

- give a true and fair view of the state 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the company which comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity;
- the Cash flow statement; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 recognised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Can-Pack UK Limited (continued)

Other information

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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. This description forms part of our auditor's report.

Independent auditor's report to the members of Can-Pack UK Limited (continued)

Report on other legal and regulatory requirements

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 the Directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Ian Kelsall

Ian Kelsall ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Newcastle, United Kingdom

22 May 2019

Can-Pack UK Limited

Income statement
For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	4	116,617,792	115,596,028
Cost of sales		(96,629,194)	(93,659,720)
Gross profit		19,988,598	21,936,308
Distribution costs		(8,037,924)	(8,940,843)
Administrative expenses		(10,822,167)	(10,661,209)
Operating profit		1,128,507	2,334,256
Finance costs	7	(389,488)	(357,220)
Profit before taxation	8	739,019	1,977,036
Tax expense	9	(112,845)	(207,346)
Profit attributable to the equity holders of the company		626,174	1,769,690

All amounts relate to continuing operations.

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2018

	2018 £	2017 £
Profit for the year	626,174	1,769,690
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
(Losses)/Gains arising during the year	(495,050)	28,275
Total comprehensive income for the year	131,124	1,797,965

Can-Pack UK Limited

Balance sheet
As at 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Intangible fixed assets	10	16,148	19,029
Property, plant and equipment	11	41,667,222	41,257,722
Deferred tax asset	16	937,286	591,663
		42,620,656	41,868,414
Current assets			
Inventories	12	7,440,786	11,148,934
Trade and other receivables	13	38,320,638	37,512,473
Cash and cash equivalents	14	1,084,968	1,275,331
		46,846,392	49,936,738
Total assets		89,467,048	91,805,152
Current liabilities			
Trade and other payables	15	(18,564,731)	(17,050,529)
Borrowings	17	(7,984,500)	(3,552,120)
Net current assets		20,297,161	29,334,089
Non-current liabilities			
Borrowings	17	(4,529,500)	(13,880,300)
Deferred tax liability	16	(3,121,198)	(2,662,730)
Total liabilities		(34,199,929)	(37,145,679)
Net assets		55,267,119	54,659,473
Equity			
Share capital	18	44,750,000	44,750,000
Retained earnings		10,896,294	9,793,598
Hedging reserve		(379,175)	115,875
Total equity		55,267,119	54,659,473

The accompanying notes form an integral part of these financial statements.

The financial statements of Can-Pack UK Limited (company registration number 06366267) were approved by the Board of Directors and authorised for issue on 22 May 2019.

Signed on behalf of the Board of Directors

G Beard

Director

Can-Pack UK Limited

Statement of changes in equity
For the year ended 31 December 2018

	Share capital £	Hedging reserve £	Retained earnings £	Total £
Balance at 1 January 2017	44,750,000	87,600	8,023,908	52,861,508
Profit for the year	-	-	1,769,690	1,769,690
Other comprehensive income for the year	-	28,275	-	28,275
Total comprehensive income for the year	-	28,275	1,769,690	1,797,965
Balance at 1 January 2018	44,750,000	115,875	9,793,598	54,659,473
Opening IFRS 15 related adjustment	-	-	476,522	476,522
Profit for the year	-	-	626,174	626,174
Other comprehensive expense for the year	-	(495,050)	-	(495,050)
Total comprehensive (expense)/income for the year	-	(495,050)	626,174	131,124
Balance at 31 December 2018	44,750,000	(379,175)	10,896,294	55,267,119

The opening reserves position has been adjusted to reflect the comparative period amendment due to the introduction of IFRS 15.

The accompanying notes are an integral part of these financial statements.

Can-Pack UK Limited

Cash flow statement
For the year ended 31 December 2018

	Note	2018 £	2017 £
Net cash generated/(used in) from operating activities	24	7,640,351	(661,071)
Net cash used in investing activities	24	(2,912,294)	(2,269,107)
Net cash (decrease)/increase generated from financing activities	24	(4,918,420)	564,380
Net decrease in cash and cash equivalents		(190,363)	(2,365,798)
Cash and cash equivalents at beginning of financial year		1,275,331	3,641,129
Cash and cash equivalents at end of financial year		1,084,968	1,275,331

The accompanying notes are an integral part of these financial statements.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

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

1. General information

Can-Pack UK Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1.

These financial statements are presented in pounds sterling because that is the functional currency of the primary economic environment in which the Company operates. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

Changes in accounting policy

The following standards became effective or were amended in the current year:

- IFRS 9 "Financial Instruments" (replaces IAS 39) (Effective from 01/01/2018)
- IFRS 15 "Revenue from contracts with customers" (Effective from 01/01/2018)

Analysis has shown that the initial application of IFRS 9 has had no impact on the company's financial instruments with regards their classification and measurement, however, adoption of IFRS 15 has made a material impact on the accounts including the net effect of a reduction in revenue of £1,056,741, (2017: £5,602,304) and associated costs of £1,008,842 (2017: £5,125,782) which ultimately led to a reduction in profit after tax in 2018 totaling £47,899.

At the date of authorisation of this financial information, there are a number of new standards and interpretations issued but not yet effective (some of which are pending endorsement by the EU), which the entity has not applied in this financial information:

- IFRS 16 "Leases" (Effective from 01/01/2019)

Detailed analysis has not yet been performed on the potential impact of the introduction of the new standards and as a consequence the Directors are unable to quantify the potential impact of the changes, however, preliminary analysis indicates that it will have a material impact. This is likely to mean that our operating leases disclosed in note 19 will be presented on the balance sheet resulting in an increase in non-current assets and a corresponding increased to current and non-current liabilities.

2. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to unlisted entities. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union, and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis except for financial instruments which have been valued at amortised cost. The principal accounting policies adopted are set out below.

Going concern

The Company's business activities, together with expected future developments and performance, are set out in the Strategic Report. Note 23 of these financial statements includes the Company's objectives, policies and processes for managing its capital, along with its exposure to credit risk and liquidity risk.

The Company has sufficient financial resources, together with long term contracts with a number of its major customers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and producing detailed cash flow projections based upon contracted sales, as well as reviewing the financial position of the Company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and all foreseeable uncertainties. For this reason the directors adopted the going concern basis in preparing the financial statements.

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

2. Accounting policies (continued)

Intangible assets

Intangible assets are stated at cost net of amortisation. Amortisation is provided at rates calculated to write off the costs of each asset over its estimated useful economic life, as follows:

Computer software	3 years

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets, after analysis it was deemed that the impact of this would not be material for 2018.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Property, plant, equipment and assets under construction

Property, plant and equipment are stated at cost net of depreciation. Assets under construction are held at cost value until the project is complete and in use, once in use they are reclassified and the depreciation rates below are used. Depreciation is provided at rates calculated to write off the cost, less the estimated residual value of each asset, over its estimated useful life as follows:

Leasehold improvements	25 years straight line
Production line (under Plant & Equipment)	Units of production method
Office equipment and Plant & Equipment	3 years straight line

Leases

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term even if the payments are not made on such a basis.

2. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ('FVTPL') or 'other financial liabilities'

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated at FVTPL.

A financial liability is classified as held for trading if:

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: *Recognition and Measurement* permits the entire combined contract (asset or liability to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss as the company chose not to disclose the effective interest rate for debt instruments that are classed as fair value through profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 23.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of all interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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

2. Accounting policies (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue

All revenue relates to the principal activities described in the accompanying Strategic Report. Revenue is measured at the fair value of the consideration received or receivable and represents amounts for goods and services receivable provided in the normal course of business, net of discounts, VAT and other sales related taxes. Due to the introduction of IFRS 15 the majority of our finished goods inventory (94.17%) has been recognised as revenue. The reason for this is due to the fact our finished goods inventory is deemed to be customised in nature as a result of the binding sales agreements with customers. 5.83% of our finished goods inventory is deemed to have no binding agreement in place and therefore this has not been recognised.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Unless the effect of discounting is material, deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All differences are taken to the income statement.

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

2. Accounting policies (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Inventory provisions

All stock of raw materials, goods for resale and finished products have been counted and the condition assessed as part of the year end stock take procedures. All stock has been assessed and the directors consider it necessary to make a provision against the value of those stocks totaling £296,683 (2017: £173,622). No other provisions have been made. The carrying amount of inventory is £7,440,786 (2017: £11,148,934).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of the production line

The directors have performed an impairment review of the production line to ensure its carrying value does not exceed its value in use. The value in use calculation was based upon the forecast operating cash flows generated over the life of the line, estimated at 25 years. The rate used was equal to the long term rate for the UK as a whole. A suitable discount rate was then applied in order to calculate present value. As a result, it was considered that no impairment is necessary. The carrying amount of the production lines is £40,592,288 (2017: £39,958,257)

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

4. Revenue

The turnover and profit before taxation are attributable to the one principal activity of the Company and of the sale of these goods.

An analysis of the company's revenue is as follows:

	2018 £	2017 £
UK	60,755,727	58,389,676
Rest of Europe	55,862,065	57,206,352
	116,617,792	115,596,028

5. Information regarding directors and employees

Average number of persons employed (including directors)	2018 No.	2017 No.
Directors	3	3
Production and operational	222	218
Sales and administration	24	26
	249	247

	2018 £	2017 £
Staff costs during the year (including directors)		
Wages and salaries	8,820,461	8,167,944
Social security costs	940,116	870,857
Pension costs	256,675	238,365
	10,017,252	9,277,166
Directors' remuneration		
Emoluments (excluding pension contributions)	368,523	358,770
Company contributions to pension scheme	12,626	12,874

All directors are members of the defined contribution scheme.

Remuneration of highest paid director	135,230	137,749
Company contributions to pension scheme in relation to highest paid director	4,888	5,052

Directors' transactions

There are no further transactions related to the Directors.

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

6. Retirement benefit schemes (Defined contribution scheme)

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The company have committed to contribute a specified percentage of payroll costs to the retirement benefit scheme. The only obligation of the company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the income statement of £256,675 (2017: £238,365) represents contributions payable to these schemes by the company at rates specified in the rules of the schemes. As at 31 December 2018 and 31 December 2017 all contributions due to the scheme had been paid.

7. Finance costs

	2018 £	2017 £
Other interest	389,488	357,220

8. Profit before taxation

Profit before taxation is stated after charging(crediting):

	2018 £	2017 £
Depreciation on property, plant and equipment	2,493,790	2,495,677
Cost of inventory recognised as an expense	81,599,886	79,073,111
Amortisation of intangible assets	11,885	12,994
Loss on disposal of tangible fixed assets	-	204
Operating lease charges	2,568,883	2,564,043
Staff costs (note 5)	10,017,252	9,277,166
Net foreign exchange losses/(gains)	74,893	(4,728)

Fees payable to Deloitte and their associates for the audit of the Company's financial statements were £38,150 (2017: £39,035).

Fees payable to Deloitte and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

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

9. Tax expense

	2018 £	2017 £
Analysis of charge in year at 19.00% (2017: 19.25%)		
Current tax		
Total current tax	-	-
Deferred tax		
Current year	112,845	207,346
Total deferred tax (note 16)	112,845	207,346
Tax on profit	112,845	207,346

	2018 £	2017 £
Factors affecting tax on profit in year		
Profit on ordinary activities before tax	739,019	1,977,036
Tax on profit at UK average standard rate of 19.00% (2017: 19.25%)	140,414	380,579
Effects of:		
Tax effect of disallowable expenses	(2,309)	(2,453)
Movement due to tax rate adjustment for prior year	(25,260)	(170,780)
Tax on profit for year	112,845	207,346

There is no unprovided deferred tax in either year. The deferred tax asset has been recognised as the directors consider that based on the anticipation of future taxable earnings the asset will be recovered.

The Finance Act 2015 included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 included provisions to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Accordingly, deferred tax balances have been revalued to the expected applicable tax rate in these financial statements at 31 December 2018.

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

10. Intangible fixed assets

	Computer software £
Cost	
At 1 January 2017	458,777
Additions	362
At 31 December 2017	459,139
At 1 January 2018	459,139
Additions	9,004
At 31 December 2018	468,143
Amortisation	
At 1 January 2017	427,116
Amortisation for the year	12,994
At 31 December 2017	440,110
At 1 January 2018	440,110
Amortisation of the year	11,885
At 31 December 2018	451,995
Net book value	
At 31 December 2018	16,148
At 31 December 2017	19,029

Computer software is amortised over its useful economic life, which is on average 3 years. The charge in the income statement is disclosed within cost of sales.

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

11. Property, plant and equipment

	Leasehold improvements	Office equipment	Plant and equipment	Assets under construction	Total
	£	£	£	£	£
Cost					
At 1 January 2017	735,038	451,098	49,398,590	4,930,145	55,514,871
Additions	44,413	32,945	1,442,043	761,860	2,281,261
Reclassification	-	3,882	5,230,608	(5,234,490)	-
Disposals	-	(38,867)	(1,200)	-	(40,067)
At 31 December 2017	779,451	449,058	56,070,041	457,515	57,756,065
At 1 January 2018	779,451	449,058	56,070,041	457,515	57,756,065
Additions	1,800	30,401	2,629,416	241,673	2,903,290
Reclassification	-	10,777	428,549	(439,326)	-
At 31 December 2018	781,251	490,236	59,128,006	259,862	60,659,355
Depreciation					
At 1 January 2017	214,413	412,852	13,415,264	-	14,042,529
Disposals	-	(38,663)	(1,200)	-	(39,863)
Charge for the year	30,340	25,731	2,439,606	-	2,495,677
At 31 December 2017	244,753	399,920	15,853,670	-	16,498,343
At 1 January 2018	244,753	399,920	15,853,670	-	16,498,343
Charge for the year	31,127	30,885	2,431,778	-	2,493,790
At 31 December 2018	275,880	430,805	18,285,448	-	18,992,133
Net book value					
At 31 December 2018	505,371	59,431	40,842,558	259,862	41,667,222
At 31 December 2017	534,698	49,138	40,216,371	457,515	41,257,722

At 31 December 2018, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £9,742 (2017: £159,614).

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

12. Inventories

	2018	2017
	£	£
Raw materials	6,227,152	5,786,040
Finished goods	225,216	4,791,733
Goods for resale	988,418	571,161
	7,440,786	11,148,934

The directors consider the carrying value of inventories to approximate their replacement cost. The majority of finished goods inventory has been removed in 2018 due to IFRS 15, due to the binding agreements we have in place with our customers and that fact that our products are considered customised our Finished goods inventory has been recognised as revenue upon production.

13. Trade and other receivables

	2018	2017
	£	£
Due within one year		
Amounts owed by group companies	7,838,209	6,793,277
Trade receivables	25,936,866	30,719,196
Accrued revenues	4,545,563	-
	38,320,638	37,512,473
Due after one year		
Deferred tax asset (see note 16)	937,286	591,663

The payment terms for the amounts owed by group companies range from 30 days to 94 days, with the majority of the receivables (£6,681,695) due in 90 days or under. The amounts owed by group companies incur no interest charges. For further details on the ageing, credit risk and doubtful debts please see note 23. The accrued revenues for 2018 are in relation to the IFRS 15 adjustment and represent the receivables value of the inventory which has been realised as a consequence of the standard being introduced.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

15. Trade and other payables

	2018	2017
	£	£
Amounts owed to group companies	10,240,807	11,212,262
Other taxation and social security	2,303,358	1,563,148
Trade payables	3,417,803	2,582,904
Accruals and deferred income	2,602,763	1,692,215
	18,564,731	17,050,529
Due after one year		
Deferred tax liability (see note 16)	3,121,198	2,662,730

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

15. Trade and other payables (continued)

The credit period taken for trade purchases is within supplier payment terms. The amount owed to group companies is payable on either 60 or 90 day terms, with £6,683,898 due in 60 days (2017: £8,290,042) and the remainder due in 90 days. For most suppliers no interest is charged on the trade payables. There is no interest charge incurred on the payable amounts owed to group companies. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade and other payables is also their fair value.

16. Deferred taxation

	Balance at 1 January 2018 £	Charged to profit and loss account £	Balance at 31 December 2018 £
Deferred taxation asset (see note 13)	(591,663)	(345,623)	(937,286)
Deferred tax liability (see note 15)	2,662,730	458,468	3,121,198
Total	2,071,067	112,845	2,183,912

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The elements of deferred taxation are as follows:

	31 December 2018 £'000	31 December 2017 £'000
Differences between accumulated depreciation and amortisation and capital allowances	3,121,198	2,662,730
Tax (gains)	(937,286)	(591,663)
Deferred tax liability (net)	2,183,912	2,071,067

At the balance sheet date, the company has unused tax losses of £5,513,449 (2017: £3,480,370) available for offset against future profits. A deferred tax asset has been recognised at a rate of 17% £937,286 (2017: £591,663) in respect of such losses. There are no unrecognised tax losses (2017: £nil). Deferred tax assets are recognised to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in future periods. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operating plans, loss carry forward periods and tax planning strategies.

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

17. Borrowings

	2018	2017
	£	£
Unsecured borrowing at amortised cost		
Loans due in 1-5 years from related parties	4,529,500	13,880,300
Loans due in less than 1 year from related parties	7,984,500	3,552,120

Borrowings are denominated in Sterling with the Euro Loan £9,014,000 (2017: £12,432,420) being repayable within 5 years and the Sterling Loan £3,500,000 (2017: £5,000,000) being repayable within 3 years. Interest on the Euro Loan is charged monthly at a rate of 3 month LIBOR plus 2.25%. Interest on the Sterling Loan is charged monthly at a rate of 3 month LIBOR plus 1.75%.

Borrowing is deemed to be at arm's length, based upon past quotes we have received for borrowings and general knowledge of the UK financing market.

18. Share capital

	31 December 2018	31 December 2017
	£	£
Authorised		
44,750,000 Ordinary shares of £1	44,750,000	44,750,000
Allotted, called up and fully paid		
44,750,000 Ordinary shares of £1	44,750,000	44,750,000

The Company has one class of ordinary shares which carry no right to fixed income.

19. Financial commitments

Operating lease commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	31 December 2018	31 December 2017
	£	£
Within one year	2,569,319	2,570,495
In second to fifth year	9,868,008	9,984,423
Over five years	26,453,700	28,897,192
	38,891,028	41,452,110

Operating lease payments represent ongoing Fork truck agreements for between 2 and 5 years and rentals payable by the Company for its factory and offices. The factory lease is for 25 years.

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

20. Ultimate controlling party

The immediate parent company is Can-Pack SA, a company registered in Poland. This is the smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the consolidated financial statements can be obtained from the Register Court, Poland.

The ultimate parent and controlling company and largest group for which consolidated financial statements are drawn up is Giorgio Global Holdings Inc, whose registered office is 301 North Market Street, Suite 1414, Wilmington, DE19801, USA.

21. Transactions with related parties

Trading transactions

During the year, the Company entered into the following transactions with related parties. Transactions with key management personnel related to remuneration only so are not included (see note 5 for detail).

2018	Sale of goods/services & recharge of costs £	Purchase of goods or services £	Amounts owed by related parties £	Amounts owed to related parties £
Can-Pack SA	16,422,677	78,955,614	2,490,885	22,139,594
ZETO SA	-	22,879	-	170
Can-Pack SA – Bevpack	-	140,071	-	3,039
Can-Pack Real Estate sp zoo	-	2,441,876	-	-
Can-Pack Netherlands	15,245,001	2,918,942	5,231,424	586,926
Can-Pack Morocco	-	9,402	-	9,402
Can-Pack Middle East	-	1,085	-	-
Can-Pack Romania	-	12,360	-	12,360
Can-Pack Hammeenlinna	487,461	1,023,967	115,900	3,316
Balance at 31 December 2018	32,155,139	85,526,196	7,838,209	22,754,807

2017	Sale of goods/services & recharge of costs £	Purchase of goods or services £	Amounts owed by related parties £	Amounts owed to related parties £
Can-Pack SA	14,026,503	86,613,105	3,216,838	28,595,891
ZETO SA	-	3,072	-	-
BevPack	-	193,187	-	-
Can-Pack Real Estate sp zoo	-	2,441,876	-	-
Can-Pack Netherlands	14,788,183	1,501,431	3,552,421	48,791
Can-Pack Romania	233,469	-	-	-
Can-Pack Ukraine	835,387	-	24,018	-
Balance at 31 December 2017	29,883,542	90,752,671	6,793,277	28,644,682

All of the above are related parties as they are all members of the Can-Pack SA Group, recharges of costs were made at either cost price or a small mark up depending on the nature of the recharge.

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

Trading transactions (continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Directors' transactions

Details of transactions with directors are included in note 5.

22. Hedging reserve

	£
Balance at 1 January 2017	87,600
Gains recognised on cash flow hedges:	
Aluminium contracts	28,275
Balance at 31 December 2017	115,875
Balance at 1 January 2018	115,875
Losses recognised on cash flow hedges:	
Aluminium contracts	(495,050)
Balance at 31 December 2018	(379,175)

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy. The aluminium hedge has been measured at fair value using level 1 input as the aluminium prices are a known value at any given time.

23. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company at 31 December 2018 consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents, and equity attributable to equity holders of the company, comprising issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

Categories of financial instruments

	Carrying value 2018 £	Carrying value 2017 £
Financial assets		
Loans and receivables		
Trade receivables	25,936,866	30,719,196
Other receivables (amounts owed by group companies)	7,838,209	6,793,277
Cash and cash equivalents	1,084,968	1,275,331
	34,860,043	38,787,804

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

Financial instruments (continued)
Categories of financial instruments (continued)

	Carrying value 2018 £	Carrying value 2017 £
Financial liabilities		
Financial liabilities held at amortised cost		
Trade payables	3,417,803	2,582,904
Other payables	15,146,928	14,467,625
Non-current borrowings	4,529,500	13,880,300
Current borrowings	7,984,500	3,552,120
	31,078,731	34,482,949

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters by directors.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 £	2017 £	2018 £	2017 £
Polish Zloty	-	-	31,222	999
Euro	15,183,693	16,108,700	13,831,774	25,047,231
US Dollar	-	-	57,923	20,329
	15,183,693	16,108,700	13,920,919	25,068,559

Foreign currency sensitivity analysis

The Company is mainly exposed to the Euro with small amounts of US dollars and Polish Zloty. The following table details the Company's sensitivity to a 10 per cent increase and decrease in Sterling against the Euro, US Dollar and the Polish Zloty. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit where Sterling strengthens 10 per cent against the Euro, US Dollar or the Polish Zloty. For a 10 per cent weakening of Sterling against the Euro, US Dollar or the Polish Zloty, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

	Euro Impact		Polish Zloty Impact	
	2018	2017	2018	2017
	£	£	£	£
Profit or loss	135,192	893,853	312	99

	US Dollar Impact	
	2018	2017
	£	£
Profit or loss	5,792	2,032

In management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk as the year end exposure does reflect the exposure during the year.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining its banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's financial liabilities are detailed as follows:

	31 December 2018	31 December 2017
	£	£
Trade payables	3,417,803	2,582,904
Amounts owed to group companies	10,240,807	11,212,262
Borrowings	12,514,000	17,432,420
	26,172,610	31,227,586

Trade payables owed to group companies mature within 3 months of the balance sheet date, and do not bear any interest.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Company may be required to pay.

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

Financial instruments (continued)

Liquidity risk management (continued)

	1-3 months £	3 months to 1 year £	1-5 years £	Total £
31 December 2017				
Non-interest bearing	12,808,304	-	-	12,808,304
Variable interest rate loans	-	3,624,938	14,574,315	18,199,253
	12,808,304	3,624,938	14,574,315	31,007,557
31 December 2018				
Non-interest bearing	13,856,970	-	-	13,856,970
Variable interest rate loans	-	8,216,849	4,796,952	13,013,801
	13,856,970	8,216,849	4,796,952	26,870,771

The borrowings consist of two loans from the parent company. The Euro loan will be repaid over the next 2 years in equal instalments. The GBP loan is a 3 year loan which is available to be drawn on when required over that time period. The balance of the GBP loan at 31 December 2018 is £3.5m (2017: £5m). The weighted average effective interest rate of the borrowings is 2.91 % (2017: 2.05%).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date which are set out below:

	31 December 2018 £	31 December 2017 £
Amounts owed by group companies	7,838,209	6,793,277
Trade receivables	25,936,866	30,719,196
Cash and cash equivalents	1,084,968	1,275,331
	34,860,043	38,787,804

The credit risk for liquid funds is not considered significant, since the counterparty is a high street bank with a high quality external credit rating. The Company's policy is to only deal with creditworthy counterparties. All debts are closely controlled and monitored by management. None of the Company's financial assets are secured by collateral or other credit enhancements at the balance sheet date.

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

Financial instruments (continued)

Ageing of past due but not impaired receivables:

	31 December 2018 £	31 December 2017 £
30-60 days	422,895	603,822
60-90 days	39,508	5,484
90-120 days	18,255	78,607
	480,658	687,913

Fair value of financial assets and liabilities

	Carrying Amount		Fair Value	
	2018 £	2017 £	2018 £	2017 £
Amounts owed by group companies	7,838,209	6,793,277	7,838,209	6,793,277
Trade receivables	25,936,866	30,719,196	25,936,866	30,719,196
Cash	1,084,968	1,275,331	1,084,968	1,275,331
Trade payables, including group company	(13,658,610)	(13,795,166)	(13,658,610)	(13,795,166)
Borrowings from group company	(12,514,000)	(17,432,420)	(12,514,000)	(17,432,420)
	8,687,433	7,560,218	8,687,433	7,560,218

It has been determined that due to the nature of the assets and liabilities and the parties involved that the risk of an asset or liabilities carrying amount changing or being incorrect is considered low and therefore the carrying amounts and the fair value of financial assets and financial liabilities would be equal.

24. Analysis of cash flows

	2018 £	2017 £
Cash flows from operating activities		
Operating profit	1,128,507	2,334,256
Adjustments for:		
Depreciation and amortisation	2,505,675	2,508,671
Loss on sale of property or equipment	-	204
Operating cash flows before movements in working capital	3,634,182	4,843,131
Decrease/(Increase) in inventories	3,708,148	(2,435,359)
IFRS 15 2017 related adjustment	476,522	-
Increase in trade and other receivables	(808,165)	(3,474,157)
Increase in trade and other payables	989,712	757,683
Cash from operations	8,000,399	(308,702)
Interest paid	(360,048)	(352,369)
Net cash generated from/(used in) operating activities	7,640,351	(661,071)
Investing activities		
Purchase of property, plant, equipment and intangible fixed assets	(2,912,294)	(2,269,107)
Net cash used in investing activities	(2,912,294)	(2,269,107)
Financing activities		
Repayment of borrowings	(8,035,900)	(8,763,160)
Drawdown of borrowings	3,000,000	8,786,440
Revaluation of Euro borrowings	117,480	541,100
Net cash (used in)/generated from financing activities	(4,918,420)	564,380
Decrease in net cash in the year	(190,363)	(2,365,798)