

Cedo Limited

Report and Financial Statements

Year Ended 31 December 2019

Company Number 00934776

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Cedo Limited

Report and financial statements for the year ended 31 December 2019

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Directors

Rik de Vos
Andrzej Ostrowski

Registered office

Halesfield 11, Telford, Shropshire, TF7 4LZ

Company number

00934776

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Cedo Limited

Strategic report for the year ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Principal trading activity

The principal trading activity is manufacture and distribution of household products, such as refuse sacks, freezer bags, aluminium foil and cling film.

Financial Review

Trading has continued to be satisfactory. As is usual, business was both won and lost during the year, with a 1.0% decrease in turnover compared to 2018. The result for the year is regarded by the Board as satisfactory. At the balance sheet date, the company was financed via positive bank balances and intercompany facilities. At the end of the year, the company had net current assets of £18.3m (2018:£19.9m).

Going Concern

The directors have prepared a profit and cash flow forecast ("the forecast") for the period to 31 March 2021 ("the period") that reflects the expected trading performance and scheduled repayments of borrowings during the period and expectations of capital investments and movements in working capital, both of which can be controlled by the directors to certain extent. The forecast shows that company is able to operate and meets its liabilities as they fall due for payment without the need for any significant additional borrowings being made available to the company from the facilities that are supported by Cedo Holdings Limited ("Cedo Holdings") and other group companies and inter group borrowing provided by Cedo Holdings or other group companies.

The directors have obtained a letter of irrevocable commitment from Cedo Holdings that confirms that (1) Cedo Holdings / Cedo Holdings group companies will not request repayment of any amounts due from the company during the period that would impact the company's ability to continue as a going concern; (2) Cedo Holdings / Cedo Holdings group companies will continue to provide support to the overdraft needed by the company during the period and; (3) If additional funding support is required to be provided then Cedo Holdings / Cedo Holdings group companies will provide all financial support required by the company to enable the company to perform its business objectives and allow it to operate and satisfy all third party obligations as they fall due for payment during the period.

On the basis of the above the directors continue to adopt the going concern basis of accounting in preparing the financial statements. All forecasts and projections carry inherent risk that the assumptions used in their preparation may require amendment if circumstances change.

Research and development

Research and development work has been concentrated around improving production efficiencies and thus reducing manufacturing cost base. All costs involved are charged immediately against the profit and loss account.

Key performance indicators

A range of KPIs are used to monitor business performance including customer performance and service levels, the results of which are commercially sensitive and not suitable for disclosure. The directors regard revenue and operating profit as the main KPIs of the business.

	2019	2018	2017	2016
Revenue (£'000)	108,585	109,711	111,753	107,088
Growth %	(1.0)	(1.8)	4.4	9.9
Operating Profit (£'000)	4,266	5,275	2,154	2,607
Operating Profit %	3.9	4.8	1.9	2.4

Cedo Limited

Strategic report (continued) for the year ended 31 December 2019

Principal risks and uncertainties

The company is exposed to fluctuations in the prices of recycled and virgin polymer and aluminium, its base raw materials. The prices of these products are closely related to the world oil price and metals commodity prices. In supplying to major domestic retailers, the company must set competitive prices which are committed for varying lengths of time. Major increases in product prices which cannot be passed on to customers in the short term can lead to margin fluctuations. In certain cases hedging instruments are used to help protect the company against such short term volatility.

In addition, the company trades in a variety of currencies, frequently buying raw material in one currency and selling finished goods in sterling or euro. This can lead to exchange rate risks which are mitigated by currency hedging and tight intercompany payment policies.

Turnover is concentrated in a number of large domestic retailers. The company mitigates this risk by providing the retailers with a consistently good product and service offering at a competitive price. The consistent drive to be the lowest cost operator in the market means that the company expects to continue to be able to maintain a competitive offering to these major customers.

Counterparty risk is low, as the company deals largely with well reputed and financially strong customers. The incidence of bad debts has remained low.

Risk management activities

(i) Policies and processes for managing group capital

Working capital is tightly managed through a combination of day to day controls and weekly and monthly treasury monitoring and reporting.

(ii) Financial risk management objectives

Financial risk management is aimed at monitoring and reducing currency, commodity, interest rate and liquidity risk.

(iii) Financial instruments and hedging activities

Financial transactions for hedging purposes are exclusively linked to operative demand and all speculative transactions are strictly prohibited.

Where possible, foreign currency positions are reduced by natural hedging; material residual exposures are hedged on a semi-annual basis.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors consider that the decisions they have made during the financial year and the way they have acted have promoted the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act). The Board meets on a monthly basis and the agenda typically includes reports on current trading and financial performance from the CEO and CFO, legal and governance updates, a review of the strategic plan and more detailed discussions of areas of particular importance. The Board considers the company's key stakeholders to include employees, shareholders, customers, suppliers and the local community.

Long-term decisions

The Board discussed proposals for new business opportunities, capital expenditure and factory improvement initiatives. Whilst financial benefit and shareholder return is one of the key decision criteria, the long term effect on the Company's going concern, the environment, job security for our employees, value and service for our customers and fair trading terms with our suppliers were all considered too. The Board recognises its responsibility to act fairly between all its stakeholders.

Customers and suppliers

Our engagement with customers and suppliers continues to evolve and improve and the Board recognises that fostering these relationships along with maintaining the Company's reputation for high standards of business

Cedo Limited

Strategic report (continued) for the year ended 31 December 2019

conduct is essential for the Company's long-term success. We have a Commercial team in each country the Company operates in and key account managers for all customers. Their focus is 100% customer satisfaction and continual innovation. There has been continuing development to improve the Company's supply chain, with the recruitment of a Supply Chain Manager in 2019 to focus on planning and efficiency. Dedicated purchasing professionals regularly visit our suppliers to maintain competitive but fair prices and drive innovation in recycled material.

Employees

Our employees are fundamental to the Company's success. The Board aims to be a responsible employer and ensures that pay and benefits are fair and competitive. The health, safety and well-being of the Company's employees is the Board's primary consideration.

The Board reviewed the results of the 2019 employee engagement survey and planned the delivery of further improvements in 2020. These will include encouraging and sponsoring employee involvement in the local community, enhanced training and development availability, regular employee forums, quarterly updates by the CEO to all employees and improved conditions in our factories.

Our Human Resource team along with our management team identify career paths and encourage employees to maximise their potential through internal and external training, coaching and regular performance appraisal.

Trading updates

The Board considered trading performance from across the Company's operations, discussed operational issues such as implementation of new ERP software, stock availability, factory performance, sales and margin.

Strategic Plan

The Board discussed the foundations of Cedo 2025 strategic plan.

In order to formulate the plan, the Board has considered the management's assessment of recent trading performance, market trends (and in particular developments with regards to environmental sustainability), Cedo's competitive position and efficiency of the manufacturing footprint. Based on the above, the Board re-confirmed the company's mission and vision and agreed a directional plan for the next five years; the plan encompasses identification of the desired growth opportunities, development of the strategy to create capacity for this growth, and necessary enhancement of the Company's manufacturing and organisational capability.

Financial updates

The Board discussed performance against budget with particular focus on underperforming parts of the business, reviewed the monthly rolling forecast, discussed funding requirements, reviewed liquidity position and considered payment of shareholder dividends. Discussed preparations, scenario planning and impact assessments for Brexit.

Sustainability

The Board is acutely aware of its responsibility to safeguard the environment. To this end investment in our recycling facility in the Netherlands continues. Each year we use more recycled plastic in our products and now much of our production is made from recycled material. We are working with our customers to increase the sustainability of the supply chain by recycling some of their plastic waste and re-using it in the manufacture of refuse sacks. Projects to reduce electricity consumption are under consideration at present.

On behalf of the Board



Andrzej Ostrowski
Director

19/2/2020

Cedo Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Strategic report

The review of the business, key performance indicators, financial risk management objectives and policies and research and development are shown in the strategic report.

Results and dividends

The income statement is set out on page 8 and shows the profit for the year. The net profit after tax for the year ended 31 December 2019 amounted to £3.8m (2018: £4.0m). Dividends of £5.0m were paid in the year (2018: £5.0m). The directors do not recommend the payment of a final dividend.

Future Developments

The directors do not expect any significant change in the nature of the company's activities. A number of initiatives aimed at expanding the business are continuing.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Directors

The directors of the company during the year were:

Andrzej Ostrowski
Rik de Vos (appointed 3rd October 2019)
Catherine Allum (resigned 3rd October 2019)

Directors' indemnities

The directors are entitled to be indemnified by the company against all liabilities incurred by them in the actual or purported exercise of their powers or otherwise in connection with their duties, powers or office, except in the case of criminal and similar proceedings. The company has insurance against Directors and Officers liabilities.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Employee briefing

Employees are briefed periodically in relation to company strategy and developments through the use of information displays on notice boards and regular e-mail communication. For relevant staff the performance appraisal process is used as a method of cascading corporate objectives into day to day activities and also for consulting staff so that their views can be taken into account in decision making.

Environment

The activities undertaken by the company have a low impact on the environment and are managed in a way that minimises as much as practicable such impact. Any business risks related to environmental issues are being proactively managed. The company actively encourages its customers to use environment friendly solutions and works on development of such product ranges.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

Further information about how the directors have engaged with employees, how they have had regard to employee interest, and the effect of that regard can be found in the strategic report. A summary of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard can also be found in the strategic report.

Cedo Limited

Directors' report (continued) for the year ended 31 December 2019

Auditors

The directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware. BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

On behalf of the board



Andrzej Ostrowski
Director

19/2/2020

Cedo Limited

Independent Auditor's Report to members of Cedo Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CEDO LIMITED

Opinion

We have audited the financial statements of Cedo Limited ("the Company") for the year ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the 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 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 this regard.

Cedo Limited

Independent Auditor's Report to members of Cedo Limited (continued)

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Director's 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

BDO LLP
19 February 2020

Thomas Lawton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Cedo Limited

Income Statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	108,585	109,711
Cost of sales		(94,611)	(95,022)
Gross profit		13,974	14,689
Administrative expenses		(9,708)	(9,414)
Operating profit	4	4,266	5,275
Interest receivable and similar income	7	459	33
Interest payable and similar charges	8	-	(338)
Profit before taxation		4,725	4,970
Taxation on profit	10	(928)	(940)
Profit after taxation		3,797	4,030

All amounts relate to continuing activities.

The notes on pages 13 to 26 form part of these financial statements

Cedo Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		3,797	4,030
Total recognised profit for the year		3,797	4,030

The notes on pages 13 to 26 form part of these financial statements

Cedo Limited

Balance sheet at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<i>Company number 00934776</i>					
Fixed assets					
Tangible assets	11		6,656		6,114
Current assets					
Stocks	12	12,674		13,665	
Debtors	13	39,313		38,731	
Cash at bank and in hand		1,620		2,727	
		53,607		55,123	
Creditors: amounts falling due within one year	14	(35,289)		(35,241)	
Net current assets			18,318		19,882
Total assets less current liabilities			24,974		25,996
Provision for liabilities	15		(563)		(382)
Net assets			24,411		25,614
Capital and reserves					
Called up share capital	16		3,000		3,000
Share premium account			5,600		5,600
Profit and loss account			15,811		17,014
Shareholders' funds			24,411		25,614

The financial statements were approved by the directors and authorised for issue on

19/2/2020


Andrzej Ostrowski
Director

The notes on pages 13 to 26 form part of these financial statements

Cedo Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Profit & loss account £'000	Total £'000
At 1 January 2019	3,000	5,600	17,014	25,614
Total comprehensive income for the year ended 31 December 2019	-	-	3,797	3,797
Dividends	-	-	(5,000)	(5,000)
Contributions by and distributions to owners	-	-	(5,000)	(5,000)
At 31 December 2019	3,000	5,600	15,811	24,411
	Share capital £'000	Share premium account £'000	Profit & loss account £'000	Total £'000
At 1 January 2018	3,000	5,600	17,988	26,588
Total comprehensive income for the year ended 31 December 2018	-	-	4,030	4,030
Dividends	-	-	(5,004)	(5,004)
Contributions by and distributions to owners	-	-	(5,004)	(5,004)
At 31 December 2018	3,000	5,600	17,014	25,614

The purpose of each reserve within equity is as follows:

Share capital is the nominal value of allotted and fully paid up ordinary share capital.

Share Premium Account is the excess amount received over the par value of the share capital.

Profit and Loss Account is cumulative net gains and losses recognised in the statement of comprehensive income.

The notes on pages 13 to 26 form part of these financial statements

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 Accounting Policies

Cedo Limited is a private limited company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The results of the company are consolidated within the financial statements of Cedo Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from the Company Secretary, Cedo Holdings Ltd, Halesfield 11, Telford, Shropshire TF7 4LZ. As a result, in preparing these financial statements, advantage has been taken of the following disclosure exemptions available under FRS 102:

- No cash flow statement has been presented;
- Transactions with Cedo Holdings Limited or other wholly owned subsidiaries within the group have not been disclosed.

The following principal accounting policies have been applied:

Basis of preparation/Going concern

The directors have prepared a profit and cash flow forecast ("the forecast") for the period to 31 March 2021 ("the period") that reflects the expected trading performance and scheduled repayments of borrowings during the period and expectations of capital investments and movements in working capital, both of which can be controlled by the directors to certain extent. The forecast shows that company is able to operate and meets its liabilities as they fall due for payment without the need for any significant additional borrowings being made available to the company from the facilities that are supported by Cedo Holdings Limited ("Cedo Holdings") and other group companies and inter group borrowing provided by Cedo Holdings or other group companies.

The directors have obtained a letter of irrevocable commitment from Cedo Holdings that confirms that (1) Cedo Holdings / Cedo Holdings group companies will not request repayment of any amounts due from the company during the period that would impact the company's ability to continue as a going concern; (2) Cedo Holdings / Cedo Holdings group companies will continue to provide support to the overdraft needed by the company during the period and; (3) If additional funding support is required to be provided then Cedo Holdings / Cedo Holdings group companies will provide all financial support required by the company to enable the company to perform its business objectives and allow it to operate and satisfy all third party obligations as they fall due for payment during the period.

On the basis of the above the directors continue to adopt the going concern basis of accounting in preparing the financial statements. All forecasts and projections carry inherent risk that the assumptions used in their preparation may require amendment if circumstances change.

Turnover

Turnover is stated net of value added tax and any customer rebates and is attributable to the one principal continuing activity, being the manufacture and supply of household consumer disposables.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, and it is probable that the company will receive the previously agreed upon payment.

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting Policies (continued)

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Short Leasehold properties and improvement	- duration of the contract
Plant and machinery	- 12.5% reducing balance
Fixtures and fittings	- 5-50% per annum

Assets under construction are not depreciated. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes material expenditure based on a weighted average purchase price and an appropriate proportion of fixed and variable overheads. Non repairable spare stocks are depreciated fully in the year of purchase. Repairable spares stocks are carried at cost, with the cost of their repair expensed to the profit and loss account as incurred.

Research and development

Expenditure on research and development is written off against the results of the period in which the expenditure is incurred.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement that has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been 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, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxation profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date, except where these assets and liabilities are covered by a hedging instrument in which case they are translated at the contracted rate. Any differences are taken to the profit and loss account.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting Policies (continued)

Dilapidations provision

Where the company has a legal obligation, a dilapidations provision is created on inception of a lease. This provision is an estimate of the cost incurred on termination to return leased properties to the condition specified in the lease.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities and assets

Financial liabilities and assets are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as debt are recognised as expense.

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company as either a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

Tangible fixed assets

Tangible fixed assets, other than land, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Provisions

The company has recognised provisions for impairment of inventories, bad debts, post year end credit notes in respect of customer rebates, employee bonuses, dilapidations and income tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

Recoverability of intercompany balances

The company holds significant debtor balances with group companies. The directors consider these debtors to be recoverable as the groups trading subsidiaries continue to generate sufficient cash flows to enable repayment to be facilitated if and when required.

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Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

3 Turnover

	2019	2018
Analysis by geographical market	£'000	£'000
United Kingdom	103,519	104,701
Rest of Europe	5,066	5,010
	108,585	109,711
	108,585	109,711

Turnover is wholly attributable to the principal activity of the company.

4 Operating profit

	2019	2018
	£'000	£'000
This is arrived at after charging/(crediting):		
Inventory recognised as an expense (cost of sales)	94,611	95,022
Research and development - current year's expenditure	57	89
Depreciation of tangible fixed assets	719	654
Loss on disposal of tangible fixed assets	-	3
Hire of plant and machinery - operating leases	148	143
Hire of other assets - operating leases	569	569
Fees payable to the company's auditor for the auditing of the company's annual accounts	70	41
Fees payable to the company's auditor for taxation compliance services	148	92
Exchange differences	(440)	(345)
	(440)	(345)
	(440)	(345)

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

5 Employees

	2019 £'000	2018 £'000
Staff costs (including directors) consist of:		
Wages and salaries	9,662	9,766
Social security costs	860	841
Other pension costs	274	266
	10,796	10,873
	10,796	10,873

The average number of employees (including directors) during the year was as follows:

	2019 Number	2018 Number
Management	2	2
Administrative	21	19
Production	284	272
Selling	15	15
	322	308
	322	308

6 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	623	516
	623	516

The amounts in respect of the highest paid director are as follows:

	2019 £'000	2018 £'000
Emoluments	308	348
Company contributions paid to defined contribution pension schemes	-	-
	308	348
	308	348

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Loans to group companies	19	33
Foreign exchange gains on loans to group companies	440	-
	<u>459</u>	<u>33</u>

8 Interest payable and similar charges

	2019 £'000	2018 £'000
Loans from group companies	-	-
Foreign exchange losses on loans from group companies	-	338
	<u>-</u>	<u>338</u>

9 Dividends

	2019 £'000	2018 £'000
Ordinary shares		
Interim paid of 166.67p (2018 – 166.80p) per share	5,000	5,004
	<u>5,000</u>	<u>5,004</u>

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10 Taxation on profit	2019 £'000	2018 £'000
<i>UK Corporation tax</i>		
Current tax on profits for the year	944	944
Adjustment in respect of previous periods	-	-
	944	944
<i>Deferred tax</i>		
Origination and reversal of timing differences	(16)	-
Adjustment in respect of previous periods	-	(4)
	(16)	(4)
Movement in deferred tax provision	(16)	(4)
	928	940
Taxation on profit	928	940

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	4,725	4,970
Profit at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	898	944
Effect of:		
Expenses not deductible for tax purposes	30	-
Adjustment in respect of previous periods	-	(4)
	928	940
Total tax charge for the year	928	940

Tax risks

Tax computations will be submitted to HMRC at a later date, therefore the current tax/actual group relief position may vary based on the agreement with HMRC.

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the March 2018 Budget, including that the main rate of corporation tax would reduce to 17% with effect from 1 April 2020. These rates have been substantively enacted and therefore have been reflected in these financial statements.

Cedo Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

11 Tangible fixed assets

	Short leasehold properties & investments £'000	Plant and machinery £'000	Fixtures and fittings £'000	Asset under construction £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2019	895	13,666	8,197	680	23,438
Additions	-	571	-	690	1,261
Disposals	-	-	-	-	-
At 31 December 2019	895	14,237	8,197	1,370	24,699
<i>Depreciation</i>					
At 1 January 2019	891	8,236	8,197	-	17,324
Charge for the year	4	715	-	-	719
Disposals	-	-	-	-	-
At 31 December 2019	895	8,951	8,197	-	18,043
<i>Net book value</i>					
At 31 December 2019	-	5,286	-	1,370	6,656
At 31 December 2018	4	5,430	-	680	6,114

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

12 Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	2,552	2,193
Finished goods and goods for resale	10,122	11,472
	<u>12,674</u>	<u>13,665</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

An impairment loss of £92,000 (2018 - £249,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

13 Debtors

	2019 £'000	2018 £'000
Trade debtors	12,314	16,137
Amounts owed by group undertakings	26,450	22,107
Other debtors	-	8
Prepayments and accrued income	549	479
	<u>39,313</u>	<u>38,731</u>

All amounts shown under debtors fall due for payment within one year.

The amounts due from group undertakings are unsecured and do not bear interest.

The impairment charge recognised in administrative expenses in respect of bad and doubtful debts was £Nil (2018 - £6,000).

The directors have considered the recoverability of the amounts due from group undertakings and are of the opinion that they will be fully recoverable.

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	6,579	7,647
Accruals	891	1,385
Corporation tax	692	423
Other taxation and social security	2,046	3,335
Amounts owed to parent and fellow subsidiary undertakings	24,861	21,823
Other creditors	220	628
	35,289	35,241
	35,289	35,241

The amounts due to parent and fellow subsidiary undertakings within one year are unsecured and do not bear interest. Although the amounts due are technically due for repayment within one year settlement is neither planned nor likely to occur in the foreseeable future.

15 Provisions for liabilities

	Deferred taxation £'000	Dilapidations Provision £'000	Total £'000
At 1 January 2019	199	183	382
(Released)/provided in year	(16)	197	181
Adjustment to prior year	-	-	
	183	380	563
	183	380	563
Deferred taxation		2019	2018
		£'000	£'000
Accelerated capital allowances		183	199
Other short term timing differences		-	-
		183	199
		183	199

Cedo Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

16 Share capital

	2019 £'000	2018 £'000
<i>Allotted, called up and fully paid</i>		
3,000,001 Ordinary shares of £1 each	3,000	3,000

17 Financial Instruments

	2019 £'000	2018 £'000
Financial assets		
Financial assets measured at cost	40,384	40,979
Financial liabilities		
Financial liabilities measured at cost	32,832	31,483

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts owed to group undertakings and other creditors.

18 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £274,000 (2018 - £266,000). Contributions amounting to £58,000 (2018 - £46,000) were payable to the fund and are included in creditors.

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

19 Capital commitments

	2019 £'000	2018 £'000
Contracted but not provided for	74	886
	74	886

20 Contingent liabilities

At 31 December 2019, the company had given a guarantee to HMRC in respect of duty deferment in the sum of £500,000 (2018: £200,000).

The company is a member of the Cedo VAT group in the UK. It is therefore jointly and severally liable on a continuing basis for amounts owing by any other member of that group in respect of unpaid VAT. There is no known exposure regarding unpaid VAT as at 31 December 2019 (2018: £nil).

21 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2019 £'000	Other 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000
Operating leases which expire:				
Not later one year	714	122	702	147
Later than one year and not later than five years	453	77	1,153	212
Later than five years	-	-	14	-
	1,167	199	1,869	359

Cedo Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

22 Related party transactions

The company is a wholly owned subsidiary of Cedo Holdings Limited and has taken advantage of the exemption conferred by FRS102 'Related party disclosures' not to disclose transactions with Cedo Holdings Limited or other wholly owned subsidiaries within the group.

The director's remuneration is presented in note 6. Key management personnel include the directors, senior sales and manufacturing staff. Total remuneration for these personnel was £1,054,000 (2018: £814,000).

23 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Cedo Holdings Limited which is incorporated in the UK. The directors regard Cedo Holdings Limited, a company incorporated in the UK, as the ultimate parent company and Straco BVBA (a private investment fund incorporated in Belgium) as the ultimate controlling party.

The largest and smallest group in which the results of the company are consolidated is that headed by Cedo Holdings Limited, a company incorporated in the UK. The consolidated accounts of this company are available to the public and may be obtained from the Company Secretary, Cedo Holdings Limited, Halesfield 11, Telford, Shropshire, TF7 4LZ. No other group accounts include the results of the company.