Registered number: 06333621

TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 OCTOBER 2018

SATURDAY
A8C2ØWNM
A12 17/08/2019 #35
COMPANIES HOUSE

TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD

COMPANY INFORMATION

Directors	F Olivier P Morris F Kinnaird B Reid D Lecavalier
Company secretary	S Bourne
Registered number	06333621
Registered office	Ash Road North Wrexham Industrial Estate Wrexham LL13 9UF
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Barclay Bank plc PO Box 544 54 Lombard Street London EC3V 9EX

TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD

CONTENTS

	Page
Group strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated Statement of cash flows	14
Notes to the financial statements	15 - 35

GROUP STRATEGIC REPORT
FOR THE PERIOD ENDED 28 OCTOBER 2018

Introduction

The group coats and laminates film and paper for use in a number of demanding niche applications. The group continued expansion of the company's Inspire branded medical products which accounts for approximately 50% of revenue. Given the continued growth in this area the company has placed a great emphasis on improving efficiency and increasing throughput to support this growth, without jeopardising the quality and integrity of the products.

Business review

The group continues to invest in plant and machinery to maintain and improve its manufacturing facility and equipment.

In May 2018 the Coveris group of companies of which this company and group is part was acquired by Transcontinental Inc. As a result and in order to comply with their financial reporting calendar the period covered by tese accounts is for 10 months to October 2018. For comparative purposes the 10 months' results will be annualised in this commentary i.e. 12/10.

As a result of the transaction there were some asset impairments relating to cash pooling and inter company receivables which have been disclosed as exceptional items.

Principal risks and uncertainties

The group uses various financial instruments, these include intra-group borrowings and various other items such as working capital. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group's financial instruments are currency risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk
Approximately 67% of the group's sales are to customers outside the UK and hence the group is exposed to transaction foreign exchange risk. These sales are priced accordingly depending on the nature of the transaction. In addition, the group has the facility of exchanging currency through intra-group borrowings and by applying natural exchange hedges.

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs to invest cash assets safely and profitably.

Interest rate risk
The group finances its operations through retained profits. The group therefore has limited exposure to interest rate fluctuations.

Credit risk
In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Financial key performance indicators

A number of KPI's are used to assess the performance of the business. Some are listed below;

Gross Margin 28.4% (2017: 32.7%)

Inventory turns 6.2 (2017: 6.34)

Sales/ employee £274k (annualised basis) (2017: £262k)

All these KPIs were broadly in line with performance in 2017. Gross margin was impacted by product mix.

Other key performance indicators

A number of KPI's are used to assess the performance of the business. Some are listed below;

Production Waste 8.8% (2017: 9.4%)

Customer Complaints as % of Sales 0.85% (2017: 0.7%)

Delivery performance to promise date 80% (2017: 80%)

All these KPIs were broadly in line with expected performance. The customer complaints increase related to one particular matter.

This report was approved by the board and signed on its behalf.

P Morris
Director

Date: 14/8/19

DIRECTORS' REPORT
FOR THE PERIOD ENDED 28 OCTOBER 2018

The directors present their report and the financial statements for the period ended 28 October 2018.

On 25 June 2018, the company changed its name from Coveris Advanced Coatings Holdings (UK) Ltd to Transcontinental Advanced Coatings Holdings UK Ltd,

On 15 June 2018, the company amended its year end reference date to 28 October from 31 December,

Results and dividends

The loss for the period, after taxation, amounted to £26,766,000 *(2017: profit £8,128,000).*

The directors have not recommended payment of a dividend (2017: £Nil).

Directors

The directors who served during the period were:

F Olivier (appointed 2 June 2018)
P Morris
F Kinnaird
B Reid (appointed 2 June 2018)
N Genitiletti (appointed 2 June 2018, resigned 1 November 2018)
D Lecavalier (appointed 1 November 2018)

Future developments

The group intends to continue to invest in equipment and processes that will further enhance productivity in order to maximise output to support further growth, particularly in the Inspire medical product range.

Qualifying third party indemnity provisions

The company has indemnified, by means of directors' and officers'' liability insurance, one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

Matters covered in the strategic report

Principal risks and uncertainties are detailed in the Strategic Report.

Going concern

The financial statements have been prepared on the going concern basis - see note 2.2 for further detail.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 OCTOBER 2018

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company and Group 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

P Morris
Director

Date: 14/8/19

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD

Opinion

We have audited the financial statements of Transcontinental Advanced Coatings Holdings UK Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the period ended 28 October 2018, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and 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 Group's and of the parent Company's affairs as at 28 October 2018 and of the Group's loss for the period 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 Group 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 Group's or the parent 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

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.

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent 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.

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.

Grant Thornton UK LLP.

Joanne Love
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 15 August 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 28 OCTOBER 2018

	Note	10 month period ended 2018 £000	2017 £000
Turnover	4	**30,792**	*35,420*
Cost of sales		**(22,033)**	*(23,846)*
Gross profit		**8,759**	*11,574*
Distribution costs		**(374)**	*(434)*
Administrative expenses		**(2,717)**	*(3,537)*
Exceptional administrative expenses		**(32,004)**	*-*
Operating (loss)/profit	5	**(26,336)**	*7,603*
Interest receivable and similar income	10	**317**	*670*
Interest payable and expenses	11	**(54)**	*(26)*
(Loss)/profit before taxation		**(26,073)**	*8,247*
Tax on (loss)/profit	12	**(693)**	*(119)*
(Loss)/profit for the financial period		**(26,766)**	*8,128*
Unrealised deficit on revaluation of tangible fixed assets		**(340)**	*(340)*
Other comprehensive income for the period		**(340)**	*(340)*
Total comprehensive income for the period		**(27,106)**	*7,788*

The notes on pages 15 to 35 form part of these financial statements.

TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD
REGISTERED NUMBER:06333621

CONSOLIDATED BALANCE SHEET
AS AT 28 OCTOBER 2018

	Note		28 October 2018 £000		31 December 2017 £000
Fixed assets					
Tangible assets	13		**5,539**		*6,085*
			5,539		*6,085*
Current assets					
Stocks	15	**4,224**		*3,727*	
Debtors: amounts falling due within one year	16	**7,995**		*18,761*	
Cash at bank and in hand	17	**5,645**		*21,586*	
		17,864		*44,074*	
Creditors: amounts falling due within one year	18	**(4,769)**		*(4,759)*	
Net current assets			**13,095**		*39,315*
Total assets less current liabilities			**18,634**		*45,400*
Net assets			**18,634**		*45,400*
Capital and reserves					
Called up share capital	20		**2,186**		*2,186*
Share premium account	21		**1,324**		*1,324*
Revaluation reserve	21		**1,681**		*2,021*
Profit and loss account	21		**13,443**		*39,869*
			18,634		*45,400*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P Morris
Director

Date: 14/8/19

TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD
REGISTERED NUMBER:06333621

COMPANY BALANCE SHEET
AS AT 28 OCTOBER 2018

	Note		28 October 2018 £000		*31 December 2017 £000*
Fixed assets					
Investments	14		**7,542**		*7,542*
			7,542		*7,542*
Creditors: amounts falling due within one year	18	**(70)**		*(3,867)*	
Net current liabilities			**(70)**		*(3,867)*
Total assets less current liabilities			**7,472**		*3,675*
Net assets			**7,472**		*3,675*
Capital and reserves					
Called up share capital	20		**2,186**		*2,186*
Share premium account	21		**1,324**		*1,324*
Profit and loss account brought forward		**165**		*218*	
Profit/(loss) for the period		**3,797**		*(53)*	
Profit and loss account carried forward			**3,962**		*165*
			7,472		*3,675*

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of comprehensive Income in these financial statements. The parent companiy's profit for the year was £3,797,000 (2017: loss of £53,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P Morris
Director

Date: 14/8/19

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 OCTOBER 2018

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	2,186	1,324	2,021	39,869	45,400
Comprehensive income for the period					
Loss for the period	-	-	-	(26,766)	(26,766)
Transfer between reserves	-	-	(340)	340	-
Annual transfer between reserves	-	-	(340)	340	-
Total comprehensive income for the period	-	-	(340)	(26,426)	(26,766)
At 28 October 2018	2,186	1,324	1,681	13,443	18,634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	2,186	1,324	2,361	31,401	37,272
Comprehensive income for the year					
Profit for the year	-	-	-	8,128	8,128
Transfer between reserves	-	-	(340)	340	-
Annual transfer between reserves	-	-	(340)	340	-
Total comprehensive income for the year	-	-	(340)	8,468	8,128
At 31 December 2017	2,186	1,324	2,021	39,869	45,400

The notes on pages 15 to 35 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 OCTOBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	2,186	1,324	165	3,675
Comprehensive income for the year				
Profit for the period	-	-	3,797	3,797
Total comprehensive income for the period	-	-	3,797	3,797
At 28 October 2018	2,186	1,324	3,962	7,472

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	2,186	1,324	218	3,728
Comprehensive income for the year				
Loss for the year	-	-	(53)	(53)
Total comprehensive income for the year	-	-	(53)	(53)
At 31 December 2017	2,186	1,324	165	3,675

The notes on pages 15 to 35 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 28 OCTOBER 2018

	28 October 2018 £000	31 December 2017 £000
Cash flows from operating activities		
(Loss)/profit for the financial period	**(26,766)**	*8,128*
Adjustments for:		
Depreciation of tangible assets	**1,035**	*971*
Impairments of intra-group receivables	**11,605**	*-*
Interest paid	**54**	*26*
Interest received	**(317)**	*(670)*
Taxation charge	**693**	*119*
(Increase) in stocks	**(497)**	*(467)*
(Increase) in debtors	**(870)**	*(318)*
Increase/(decrease) in creditors	**662**	*(1,627)*
Corporation tax (paid)/received	**(397)**	*891*
Net cash generated from operating activities	**(14,798)**	*7,053*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(489)**	*(854)*
Interest received	**317**	*670*
Net cash from investing activities	**(172)**	*(184)*
Cash flows from financing activities		
Interest paid	**(54)**	*(26)*
Net cash used in financing activities	**(54)**	*(26)*
Net (decrease)/increase in cash and cash equivalents	**(15,024)**	*6,843*
Cash and cash equivalents at beginning of period	**20,363**	*13,520*
Cash and cash equivalents at the end of period	**5,339**	*20,363*
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	**5,645**	*21,586*
Bank overdrafts	**(306)**	*(1,223)*
	5,339	*20,363*

The notes on pages 15 to 35 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 OCTOBER 2018

1. General information

The company is a private company limited by shares and is incorporated in England and Wales.

The address of its registered office is Ash Road North, Wrexham Industrial Estate, Wrexham, LL13 9UF.

The principal activity of the company continues to be that of a group holding company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain items of plant and machinery in accordance with applicable UK accounting standards, including Financial Reporting Standard 102.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to the presentation of financial instruments, remuneration of key management personnel and disclosure of related party transactions with group company's.

2.2 Going concern

The financial statements have been prepared on a going concern basis. The continuation of the company's activities is dependent on its subsidiary undertakings forecast cash flows.

The company's subsidiary's undertaking continues to establish and maintain long term contracts with a number of customers and suppliers across different geographic areas and industries. The company's subsidiary undertakings forecasts and projections have been prepared for 12 months beyond the balance sheet approval date, which take account of possible changes in trading performance due to current economic conditions. As a consequence, the directors believe the group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Revenue

Turnover comprises revenue recognised by the company in respect of goods supplied during the year, exclusive of value added tax and discounts. Revenue is recognised when the risks and rewards of ownership are transferred to the customer, which typically is upon despatch from the company's warehouse. Revenue is recognised on consignment stock when the benefit of the stock is consumed by the customer.

2. Accounting policies (continued)

2.4 Tangible fixed assets

Plant and machinery is held at valuation less depreciation and impairment. Depreciation is provided to
write off the valuation of plant and machinery, less their estimated residual value, over 10 years.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

L/Term Leasehold Property	-	33%	Straight line
Plant & machinery	-	10%	Straight line
Motor vehicles	-	33%	Straight line
Office equipment	-	20%	Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

No depreciation is charged in respect of assets in the course of construction.

There has been no revaluation of tangible fixed assets during the year.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.7 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other

2. Accounting policies (continued)

2.7 Financial instruments (continued)

third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2. Accounting policies (continued)

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Basis of consolidation

The consolidated financial statements present the results of group and its own subsidiaries ("the group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

2.11 Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.15 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2.17 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the period in which they are incurred.

2. Accounting policies (continued)

2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the significant management judgements made in applying the accounting policies of the
Group that have the most significant effect on amounts recognised in the financial statements:

- Revaluation of plant and machinery: Management consider the revaluation model a more appropriate accounting policy for the measurement of plant and machinery. All other tangible fixed assets are held at cost less accumulated depreciation.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below:

- Tangible fixed assets – tangible fixed assets 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, 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.

- Revaluation of plant and machinery - Plant and machinery is carried at fair value with changes in fair value being recognised in the revaluation reserve. The Group engaged independent valuation specialists to determine fair value at 31 December 2013 and the need for further revaluations is assessed annually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 OCTOBER 2018

4. Turnover

An analysis of turnover by class of business is as follows:

	10 month period ended 2018 £000	*2017 £000*
Sale of goods	**30,792**	*35,420*
	30,792	*35,420*

Analysis of turnover by country of destination:

	10 month period ended 2018 £000	*2017 £000*
United Kingdom	**10,345**	*10,891*
Rest of the world	**20,447**	*24,529*
	30,792	*35,420*

5. Operating (loss)/profit

The operating profit is stated after charging/ (crediting):

	10 month period ended 2018 £000	*2017 £000*
Depreciation of tangible fixed assets	**1,035**	*971*
Exchange differences	**(50)**	*177*
Operating lease payments		
- plant and machinery	**44**	*70*
- other operating leases	**358**	*280*

6. Auditor's remuneration

	10 month period ended 2018 £000	2017 £000
Auditor's remuneration for the audit of the group financial statements	**40**	*76*

The prior year's auditor remuneration included £37,000 in respect of non-recurring audit services.

7. Exceptional items

	10 month period ended 2018 £000	2017 £000
Exceptional items - user input	**32,004**	-
	32,004	-

As part of the group's sale to Transcontinental Inc, certain assets were impaired as a consequence of the sale and purchase agreement. Amounts due from wider Coveris group entities were impaired in respect of the cash pooling balances (£20.3m) and intra-group receivables (£11.7m).

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 28 October 2018 £000	*Group 31 December 2017 £000*	Company 28 October 2018 £000	*Company 31 December 2017 £000*
Wages and salaries	**4,733**	*5,568*	**-**	*-*
Social security costs	**526**	*642*	**-**	*-*
Cost of defined contribution scheme	**423**	*477*	**-**	*-*
	5,682	*6,687*	**-**	*-*

The average monthly number of employees, including the directors, during the period was as follows:

	2018 No.	*2017 No.*
Production	**118**	*118*
Development	**13**	*13*
Selling and distribution	**5**	*5*
	136	*136*

9. Directors' remuneration

During the period retirement benefits were accruing to 2 directors *(2017: 2)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £105,000 *(2017: £110,000)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,000 *(2017: £13,000)*.

10. Interest receivable

	2018 £000	*2017* *£000*
Interest receivable from group companies	**296**	*649*
Other interest receivable	**21**	*21*
	317	*670*

11. Interest payable and similar expenses

	2018 £000	*2017* *£000*
Bank interest payable	**54**	*26*

12. Taxation

	2018 £000	*2017 £000*
Corporation tax		
Current tax on profits for the year	**671**	*45*
Adjustments in respect of previous periods	**(46)**	*45*
	625	*90*
Total current tax	**625**	*90*
Deferred tax		
Origination and reversal of timing differences	**(50)**	*(106)*
Changes to tax rates	**2**	*3*
Adjustment in respect of prior years	**116**	*132*
Total deferred tax	**68**	*29*
Taxation on profit on ordinary activities	**693**	*119*

12. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than *(2017: lower than)* the standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*. The differences are explained below:

	2018 £000	*2017 £000*
(Loss)/profit on ordinary activities before tax	**(26,073)**	*8,247*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(4,954)**	*1,587*
Effects of:		
Expenses not deductible for tax purposes	**6,147**	*201*
Change in UK tax rate	**3**	*3*
Other differences	**2**	*5*
Adjustments to tax charge in respect of prior periods	**67**	*177*
Group relief	**(572)**	*(1,854)*
Total tax charge for the period/year	**693**	*119*

Factors that may affect future tax charges

The statutory UK corporation tax rate is currently 18%, effective from 1 April 2018 (reduced from 20% and 19% previously). Note, this rate will be further reduced in future periods to 17% (effective from 1 April 2020 – substantially enacted on 6 September 2016).

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, based on tax law and the corporation tax rates that have been enacted, or substantially enacted, at 31 December 2017. For the year ended 28 October 2018, the above rates have been utilised to calculate the closing deferred taxation balances.

13. Tangible fixed assets

Group

	L/Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Office equipment £000	Other fixed assets £000
Cost or valuation					
At 1 January 2018	**50**	**13,960**	**20**	**110**	**596**
Additions	**-**	**-**	**-**	**-**	**489**
Transfers between classes	**7**	**603**	**-**	**-**	**(610)**
At 28 October 2018	**57**	**14,563**	**20**	**110**	**475**
Depreciation					
At 1 January 2018	**13**	**8,521**	**20**	**97**	**-**
Charge for the period on owned assets	**5**	**1,024**	**-**	**6**	**-**
At 28 October 2018	**18**	**9,545**	**20**	**103**	**-**
Net book value					
At 28 October 2018	**39**	**5,018**	**-**	**7**	**475**
At 31 December 2017	*37*	*5,439*	*-*	*13*	*596*

13. Tangible fixed assets (continued)

	Total £000
Cost or valuation	
At 1 January 2018	**14,736**
Additions	**489**
Transfers between classes	**-**
At 28 October 2018	**15,225**
Depreciation	
At 1 January 2018	**8,651**
Charge for the period on owned assets	**1,035**
At 28 October 2018	**9,686**
Net book value	
At 28 October 2018	**5,539**
At 31 December 2017	*6,085*

The net book value of land and buildings may be further analysed as follows:

	28 October 2018 £000	*31 December 2017 £000*
Long leasehold	**40**	*37*
	40	*37*

14. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	**7,542**
At 28 October 2018	**7,542**

The company owns 100% of the ordinary share capital of Transcontinental AC UK Ltd, a company registered in England and Wales. The principal activity of the subsidiary is the production of coating and laminates for use in a number of demanding niche applications.

15. Stocks

	Group 28 October 2018 £000	*Group 31 December 2017 £000*	Company 28 October 2018 £000	*Company 31 December 2017 £000*
Raw materials and consumables	**1,393**	*1,524*	**-**	*-*
Work in progress (goods to be sold)	**1,629**	*1,077*	**-**	*-*
Finished goods and goods for resale	**1,202**	*1,126*	**-**	*-*
	4,224	*3,727*	**-**	*-*

An impairment loss of £3,751 (2017: £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Stocks of £13,940,000 (2017: £13,771,000) were recognised in cost of sales in the year.

16. Debtors

	Group 28 October 2018 £000	*Group 31 December 2017 £000*
Trade debtors	**7,123**	*6,334*
Amounts owed by group undertakings	**97**	*11,406*
Other debtors	**61**	*305*
Prepayments and accrued income	**577**	*511*
Deferred taxation	**137**	*205*
	7,995	*18,761*

Amounts owed by group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

An impairment loss of £9,735 (2017: £3,119) was recognised in respect of trade debtors during the year.

17. Cash and cash equivalents

	Group 28 October 2018 £000	*Group 31 December 2017 £000*	Company 28 October 2018 £000	*Company 31 December 2017 £000*
Cash at bank and in hand	**5,645**	*21,586*	**-**	*-*
Less: bank overdrafts	**(306)**	*(1,223)*	**-**	*-*
	5,339	*20,363*	**-**	*-*

18. Creditors: Amounts falling due within one year

	Group 28 October 2018 £000	*Group 31 December 2017 £000*	Company 28 October 2018 £000	*Company 31 December 2017 £000*
Bank overdrafts	**306**	*1,223*	**-**	*-*
Trade creditors	**2,089**	*1,657*	**-**	*-*
Amounts owed to group undertakings	**743**	*363*	**-**	*3,771*
Corporation tax	**215**	*46*	**-**	*-*
Other taxation and social security	**284**	*167*	**-**	*-*
Other creditors	**62**	*104*	**-**	*-*
Accruals and deferred income	**1,070**	*1,199*	**70**	*96*
	4,769	*4,759*	**70**	*3,867*

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

19. Deferred taxation

Group

	2018 £000
At beginning of year	**205**
Charged to the profit or loss	**-**
Utilised in year	**(68)**
At end of year	**137**

	Group 28 October 2018 £000	*Group 31 December 2017 £000*	*Company 31 December 2017 £000*
Accelerated capital allowances	**163**	*191*	-
Provisions and pensions	**(26)**	*14*	-
	137	*205*	-

Deferred tax is provided where there is reasonable certainty over the recovery of the asset, with regard to future taxable profits. It is expected that there will be sufficient trading profits in the company in the foreseeable future, against which the deferred tax assets will be utilised.

20. Share capital

	28 October 2018 £000	*31 December 2017 £000*
Called up and fully paid		
2,186,271 *(2017: 2,186,271)* Ordinary Shares shares of £1.00 each	**2,186**	*2,186*

21. Reserves

Share premium
The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve
The revaluation reserve includes the surplus on the revaluation of properties to fair value.

Profit and loss account
The profit and loss account includes all current and prior period retained profits and losses.

22. Pension commitments

The group contributes to a defined contribution scheme and the assets of the scheme are administered by trustees in funds independent from the group's assets. The pension cost charged to the profit and loss account in the year was £423,000 (2017: £477,000).

23. Commitments under operating leases

At 28 October 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 28 October 2018 £000	*Group 31 December 2017 £000*
Not later than 1 year	**372**	*341*
Later than 1 year and not later than 5 years	**411**	*304*
Later than 5 years	**183**	*354*
	966	*999*

The company has no commitments (2017: £Nil).

24. Related party transactions

The company is a wholly owned subsidiary of Transcontinental Inc. and has taken advantage of the exemption in FRS102 to not disclose transactions with other wholly owned subsidiary undertakings of Transcontinental Inc.

No other transactions with related parties were undertaken requiring disclosure under FRS102.

25. Controlling party

Up until 1 May 2018, the ultimate parent undertaking was Coveris S.A., registered in Luxembourg. Sun Capital Partners was the company's ultimate controlling party by virtue of its shareholding Coveris S.A.

From 1 May 2018, the ultimate controlling parent undertaking is Transcontinental Inc.

TRANSCONTINENTAL ADVANCED COATINGS HOLDINGS UK LTD

COMPANY DETAILED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 28 OCTOBER 2018

	Note	28 October 2018 £000	*31 December 2017 £000*
Gross profit		**-**	*-*
Gross profit %		**0.0 %**	*0.0 %*
Less: overheads			
Administration expenses		**(544)**	*28*
Operating (loss)/profit		**(544)**	*28*
Interest payable		**(54)**	*(81)*
Investment income		**4,395**	*-*
Profit/(Loss) for the period/year		**3,797**	*(53)*

SCHEDULE TO THE DETAILED ACCOUNTS FOR THE PERIOD ENDED 28 OCTOBER 2018

	28 October 2018 £000	31 December 2017 £000
Administration expenses		
Admin expenses	**(19)**	*(28)*
Admin - exceptional (on face of P&L a/c)	**563**	-

	28 October 2018 £000	31 December 2017 £000
Interest payable		
Bank overdraft interest payable	**54**	*81*

	28 October 2018 £000	31 December 2017 £000
Investment income		
Income from investments in group companies	**4,395**	-
	4,395	-