Polydist (UK) Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

Registered number: 02766120

Polydist (UK) Limited

Annual report and financial statements for the year ended 31 December 2022

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Strategic report
for the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Mission

Polydist (UK) Limited's mission is to be the link in the supply chain between local consumers and International Petrochemical manufacturers.

It is a mission driven by our understanding of the complex changes the polymer market has undergone in the past two decades. Anticipating the markets' global consolidation, Polydist (UK) Limited positioned itself as an invaluable partner for both ends of the polymer market, looking to work with our partners to meet and exceed their sourcing and logistics needs.

Review of business and future developments

The profit and loss account is set out on page 10 and shows a profit before taxation of £428,000 (2021: Profit £929,000).

The position at 31 December 2022 is set out on page 12.

The trading performance for the year represents a solid performance in the current economic and geopolitical environment in which the company operates. The economic inflationary pressure and the unrest in Ukraine continue to affect the economic outlook for the UK market. The company has undergone a period of restructuring in the year and will be strengthening its sales team early in the next financial year. The company continues to explore opportunities to expand its portfolio of products and therefore provide opportunities to increase sales volume and market share within the UK and Ireland. This strategy is an area of focus which will help support the business in a market where demand is expected to remain flat through the early part of 2023. It is currently felt that the company will continue to trade profitably in the current environment and the directors will continue to monitor the situation and take appropriate and timely action if required.

The company continues to strengthen the relationship with its bankers HSBC.

Key performance indicators ('KPIs')

The board monitors progress by reference to the following key performance indicators.

	2022	2021	**Definition and method of calculation**
Growth in sales	**(3%)**	21%	Year on year growth as a %.
Gross margin	**11%**	9%	Ratio of gross profit to sales expressed as a %.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. In addition to the financial risks, the key business risks affecting the company relate to competition and the supply chain. The company operates in a competitive market particularly around price and product availability. Given the company's focus on product availability, the company can be at risk if product is not forthcoming, or supply is disrupted.

The risks facing the company are assessed on an ongoing basis. The directors evaluate the likelihood and the potential impact of each risk and ensure appropriate action is taken.

Financial risk management

Financial risk management is disclosed in the directors' report.

Section 172 statement

The Board of Directors understand the business and the changing environment in which it must operate. The strategy set by the Board of Directors and the ultimate controlling party is intended to create value to all stakeholders in the business. This strategy should enable profitable growth, whilst providing a great place to work and development opportunities for our staff, continued and reliable supply of high quality products to our customers and the continued good trade and relationships with our suppliers and finance providers to enable their businesses to grow and prosper.

The employees are a vital element of the strategy as they are fundamental to our business and the delivery of the strategic ambitions. The successful delivery of this strategy relies upon a committed workforce who are sufficiently trained, managed, motivated and rewarded to achieve their best. The Directors regularly meet with employees for them to understand how they fit into the overall strategy and offer opportunities to enable employees to develop in their role. There is a code of conduct we expect employees to adhere to for their own safety and wellbeing and to ensure that the company is a place where all people can feel safe, secure and have a successful career.

Delivering the strategy involves regular and close communication with our key suppliers, customers and finance providers such that they understand the decisions we have taken and the impact that these have on our ability to offer continued business opportunities. We keep these stakeholders aware of our strategy and the impact on them through regular dialogue at a board level and management level where appropriate.

On behalf of the board

Eduardo Contreiras Rodrigues Neto
Director

5 July 2023

Polydist (UK) Limited

Directors' report
for the year ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Donations

The company made non-political charitable donations during the year of £100 (2021: £nil).

Future developments

Future developments are discussed in the Strategic Report.

Dividends

No dividends were paid or proposed in the year (2021: £nil).

Directors

The directors of the company throughout the year ended 31 December 2022 and up to the date of signing these financial statements, were as follows:

R F G Bradwell – resigned 10 June 2022

Said Al Naqeeb

Tareq Al Naqeeb

Germene Yamine

Henry Roth – resigned 27th Jan 2022

Eduardo Contreiras Rodrigues Neto – from 27th Jan 2022

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The directors actively manage these risks by monitoring levels of risk and the related costs.

No derivatives are used other than forward exchange contracts which are entered into and used in conjunction with currency accounts in order to hedge against foreign exchange movements.

The company has implemented policies to insure customer debt and carry out appropriate credit checks on potential customers before sales are made.

The company utilises invoice discount finance that is designed to ensure that the company has sufficient available funds for its operations and its required level of working capital. Floating rate interest rates apply to this and the directors regularly reassess these in the context of longer-term interest rate trends.

In addition to the financial risks, the key business risks affecting the company relate to competition and the supply chain.

The company operates in a competitive market particularly around price and product availability. In order to mitigate this risk, the sales team monitor market prices on an ongoing basis and endeavour to understand customers' expectations and whether their needs are being met.

Given the company's focus on product availability, the company can be at risk if product is not forthcoming, or supply is disrupted. The company mitigates this risk by entering into supply agreements with key suppliers.

Going concern

The Company has a limited number of suppliers but a broad customer base. To secure purchases, letters of credit are provided to suppliers. When sales are made the invoices are financed through the Company's invoice discounting facility. This facility is in placc until October 2023 based on a rolling agreement which is reviewed annually and carries a minimum three-month notice period. Based upon the good ongoing discussions with HSBC, and the prior extensions of this facility, the directors believe this facility will be extended beyond October 2023.

The company has no other facilities or debt in place as at 31 December 2022.

Financial projections, on a monthly basis, have been performed covering the period up to 31 December 2024. This has included a base case scenario and sensitised case which shows a more prolonged and negative impact on demand due the current economic environment. Both scenarios have shown that the company will have enough cash reserves and available financing facilities in order to operate as a going concern.

In determining the above, the key judgements relate to the continuation of the invoicing facility and support continuing to be provided by the parent company, RAI, regarding letters of credit for purchases. Regular discussions are held with the bank, and the Company continues with a very positive relationship. Additionally, discussions with RAI have highlighted that support will continue to be made, where required regarding securing letters of credit for purchases. Therefore, based upon the historical provision of these facilities and the discussions with the bank regarding their ongoing support and availability the Board of Directors believe that these facilities will continue to be provided in line with the current agreements for the foreseeable future.

As a result of the above and the cash flow projections, the board believe there is sufficient evidence that the Company has the ability to meet its obligations, as and when they fall due, for the foreseeable future and as such the going concern basis of preparation is appropriate.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

Directors' report
for the year ended 31 December 2022 (continued)

Disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board

Eduardo Contreiras Rodrigues Neto
Director

5 July 2023

Independent auditors' report to the members of Polydist (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Polydist (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Profit and loss account, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Polydist (UK) Limited (Continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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.

Independent auditors' report to the members of Polydist (UK) Limited (continued)

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment laws / regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of unusual / inappropriate journals entries (with a specific focus on increasing reported revenues) and manipulation of accounting estimates (specifically those highlighted in note 4 to the Financial Statements). Audit procedures performed by the engagement team included:

- Understanding the internal controls utilised by management to detect/mitigate inappropriate accounting estimates and journal entries;
- Discussions with management regarding any known instances of fraud, non-compliance with applicable laws and regulations or instances of control breakdowns;
- Reviewing accounting estimates for appropriateness. This was performed through validating supporting evidence for key assumptions, testing the validity of underlying data and the accuracy of underlying models (where applicable), and challenging management on the assumptions made through consideration of prior accuracy of estimates and comparison of estimates made at year end to transaction / events since the year end;
- Review of legal expense accounts, board minutes and other internal documentation to identify any inconsistencies with other information provided by management;
- Substantive testing of journal entries using a risk-based approach, with a particular focus on journal entries posted with unusual account combinations (revenue journals) or those which improved the reported financial position / performance; and
- Performing unpredictable audit procedures which are changed each year.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Polydist (UK) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Dymond

Andrew Dymond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
5 July 2023

Polydist (UK) Limited

Profit and loss account
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	5	**36,594**	37,737
Cost of sales		**(32,749)**	(34,161)
Gross profit		**3,845**	3,576
Distribution costs		**(1,092)**	(683)
Administrative expenses		**(2,181)**	(1,895)
Operating profit	7	**572**	998
Interest receivable and similar income		**99**	108
Interest payable and similar expenses	8	**(243)**	(177)
Profit before taxation		**428**	929
Tax on profit	9	**(1)**	(9)
Profit for the financial year		**427**	920

The notes on pages 14 to 31 are an integral part of the financial statements.

Polydist (UK) Limited

Statement of comprehensive income
for the year ended 31 December 2022

	2022	2021
	£'000	£'000
Profit for the financial year	**427**	920
Other comprehensive income / (expense)		
Exchange translation differences	1	(17)
Other comprehensive income / (expense) for the year	**1**	(17)
Total comprehensive income / (expense) for the year	**428**	903

The notes on pages 14 to 31 are an integral part of the financial statements.

Polydist (UK) Limited

Balance sheet
as at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	10	**572**	589
Investments	11	**-**	-
		572	589
Current assets			
Inventories	12	**4,356**	3,378
Debtors	13	**10,534**	12,766
Cash at bank and in hand		**545**	2,296
		15,435	18,440
Creditors: amounts falling due within one year	14	**(10,065)**	(13,515)
Net current assets		**5,370**	4,925
Total assets less current liabilities		**5,942**	5,514
Provisions for liabilities	15	**(9)**	(9)
Net assets		**5,933**	5,505
Capital and reserves			
Called up share capital	16	**226**	226
Share premium account		**574**	574
Profit and loss account		**5,133**	4,705
Total equity		**5,933**	5,505

The notes on pages 14 to 31 are an integral part of the financial statements.

The financial statements on pages 10 to 31 were approved by the board of directors on 5 July 2023 and were signed on its behalf.

Eduardo Contreiras Rodrigues Neto
Director

Registered number: 02766120

Polydist (UK) Limited

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital	Share Premium account	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	**226**	**574**	**3,802**	**4,602**
Profit for the financial year	-	-	920	920
Other comprehensive expense for the year	-	-	(17)	(17)
Total comprehensive income for the year	-	-	**903**	**903**
Balance at 31 December 2021	**226**	**574**	**4,705**	**5,505**
Profit for the financial year	-	-	427	427
Other comprehensive income for the year	-	-	1	1
Total comprehensive income for the year	-	-	**428**	**428**
Balance at 31 December 2022	**226**	**574**	**5,133**	**5,933**

The notes on pages 14 to 31 are an integral part of the financial statements.

1 General information

Polydist (UK) Limited ('the Company') is involved in the wholesale distribution of plastic raw materials.

The company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is 7 Granary Wharf, The Old Granary, Wetmore Road, Burton on Trent, Staffordshire DE14 1DU.

2 Statement of compliance

The financial statements of Polydist (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

The Company has a limited number of suppliers but a broad customer base. To secure purchases, letters of credit are provided to suppliers. When sales are made the invoices are financed through the Company's invoice discounting facility. This facility is in place until October 2022 based on a rolling agreement which is reviewed annually and carries a minimum three-month notice period. Based upon the good ongoing discussions with HSBC, and the prior extensions of this facility, the directors believe this facility will be extended beyond October 2022. The company has no other facilities or debt in place as at 31 December 2021.

Financial projections, on a monthly basis, have been performed covering the period up to 31 December 2023. This has included a base case scenario and sensitised case which shows a more prolonged and negative impact on demand due to COVID 19 and the current economic environment. Both scenarios have shown that the company will have enough cash reserves and available financing facilities in order to operate as a going concern.

In determining the above, the key judgements relate to the continuation of the invoicing facility and support continuing to be provided by the parent company, RAI, regarding letters of credit for purchases. Regular discussions are held with the bank, and the Company continues with a positive relationship. Additionally, discussions with RAI have highlighted that support will continue to be made, where required regarding securing letters of credit for purchases. Therefore, based upon the historical provision of these facilities and the discussions with the bank regarding their ongoing support and availability the Board of Directors believe that these facilities will continue to be provided in line with the current agreements for the foreseeable future.

As a result of the above and the cash flow projections the board believe there is sufficient evidence that the Company has the ability to meet its obligations, as and when they fall due, for the foreseeable future and as such the going concern basis of preparation is appropriate.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemption. Exemptions under FRS 102 paragraph 1.12 have been applied: in relation to presentation of related party transactions, certain financial instrument disclosures and the non-disclosure of key management personnel compensation.

3 Summary of significant accounting policies (continued)

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Polydist Europe Holdings Limited and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b).

Related party transactions

The company has taken advantage of the exemption granted under FRS 102 paragraph 1.12 (e) to not disclose transactions with other group companies where they are wholly owned by a common parent entity.

Consolidation

The company has taken advantage of Section 400 of the Companies Act 2006 which exempts the company from preparing consolidated financial statements on the grounds that the consolidated financial statements of are prepared by the ultimate parent company, Polydist Europe Holdings Limited, and are made available to the public.

Investments

Investment in a subsidiary company is held at cost less accumulated impairment losses.

Tangible assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis on the original cost of fixed assets from the date brought into use, at rates estimated to write off each asset to its residual value over the term of its useful life as follows:

Freehold buildings	2%
Fixtures and fittings	20%
Motor vehicles	25%
Computer equipment	33 1/3%
Plant and machinery	20%

Freehold land is not depreciated.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3 Summary of significant accounting policies (continued)

Provisions and contingencies

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated based on tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

Foreign currencies

(i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(ii) 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 profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating charges.

(iii) Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

Share capital

Ordinary shares are classified as equity.

Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

3 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts allowed by the Company and value added taxes.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; and (d) it is probable that future economic benefits will flow to the entity.

Sales of goods are recognised on delivery to the customer, when the customer has full discretion over the product and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

Turnover comprises the invoiced value of goods and services provided, net of Value Added Tax and less any related trade discounts. Turnover is recognised when the risks and rewards of ownership pass to the customer.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Company operates a stakeholder pension scheme plan for its employees. The Group pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds. The pension cost for the year is disclosed in note 7 to the financial statements.

(iii) Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Grants

Capital grants received are carried as deferred income in the balance sheet and are released to the profit and loss account on a straight-line basis over the estimated useful lives of the assets concerned.

Noncapital grants received are recognised in the profit and loss account in the period that all conditions relating to receipt have been met.

Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Company companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. The company applies hedge accounting for foreign exchange derivatives. A fair value hedge is accounted for as follows:

(a) the gain or loss on the hedging instrument is recognised in profit or loss; and

(b) the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item (if applicable) and be recognised in profit or loss. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Inventory provisioning

The Company sells plastic raw material, and this is subject to changing customer demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of the inventory. See note 12 for the net carrying amount of the inventory and associated provision.

(ii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors.

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

The geographical analysis of turnover, by destination, was:	2022 £'000	2021 £'000
United Kingdom	**32,631**	36,355
Rest of Europe	**1,800**	1,350
Middle East	-	32
South America	**2,163**	-
	36,594	37,737

The geographical analysis of turnover, by origin was:	2022 £'000	2021 £'000
United Kingdom	**36,594**	37,530
Spain	-	207
	36,594	37,737

All of the turnover comprises one class of business being the sale of plastic raw material.

6 Directors and employees

Directors' emoluments	2022 £'000	2021 £'000
Aggregate emoluments (including benefits in kind)	-	-
Pension contributions to a money purchase scheme	-	-

Benefits are accruing for nil (2021: £nil) director under the money purchase pension scheme.

Highest paid director	2022 £'000	2021 £'000
Aggregate emoluments	-	-
Contributions to money purchase scheme	-	-

Only the directors are considered to be key management of the company and therefore no additional disclosure of key management remuneration is required. Any directors remuneration is made by group with no recharge of direct costs.

6 Directors and employees (continued)

Employees

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

	2022 Number	2021 Number
Office and management	11	12
Production and sales	5	4
	16	16

7 Operating profit

This is stated after charging:	2022 £'000	2021 £'000
Wages and salaries	1,142	904
Social security costs	143	106
Other pension costs	69	72
Staff costs	1,354	1,082
Depreciation of tangible assets	20	28
Impairment of trade receivable	-	1
Inventories recognised as an expense	31,129	32,844
Impairment of inventories	130	2
Operating lease charges	39	39
Services provided by the company's auditors		
Audit fees for the audit of the company	71	64
Fees payable for other services – non audit services	-	-
Total amount payable to the company's auditors	71	64

8 Interest payable and similar expenses

	2022 £'000	2021 £'000
On bank loans and financing	243	177

Polydist (UK) Limited

Notes to the financial statements
for the year ended 31 December 2022 (continued)

9 Tax on profit

	2022	2021
	£'000	£'000
Current taxation:		
United Kingdom corporation tax on profit / (loss) for the financial year	1	-
Adjustments in respect of prior years	-	-
Total current taxation	1	-
Deferred taxation:		
Reversal of timing differences	-	9
Total deferred taxation (note 15)	-	9
Tax on profit/(loss)	1	9

The tax charge/credit is lower (2021: lower) than the standard UK corporation tax rate of 19% (2021: 19%) applied to the profit for the year. The differences are:

	2022	2021
	£'000	£'000
Profit before taxation	428	929
Profit before taxation multiplied by standard rate of corporation Tax in the UK of 19% (2021: 19%)	81	176
Effects of:		
Deferred tax	-	9
Expenses not deductible for tax purposes	7	7
Group relief received for no payment	(87)	(37)
Adjustments in respect of prior years	-	-
Brought forward tax losses	Nil	(146)
Carry forward tax losses (unrecognised deferred tax asset)	-	-
Total tax on profit	1	9

The March 2021 budget announced increases in the UK standard rate of Corporation tax to 25% from 1 April 2023. This legislation was enacted during the year and has had no material impact. Deferred taxation balances as at the year end have been measured at 25% (2021:25%).

10 Tangible assets

	Freehold land and buildings	Fixtures and fittings	Motor vehicles	Computer equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2021						
Cost	800	120	7	255	10	1,192
Accumulated depreciation	(226)	(117)	(3)	(247)	(10)	(603)
Net book amount	**574**	**3**	**4**	**8**	**-**	**589**
Year ended 31 December 2022						
Opening net book amount	574	3	4	8	-	589
Additions	-	2	-	1	-	3
Depreciation for the year	(13)	(2)	-	(5)	-	(20)
Disposals	-	(2)	-	-	-	(2)
Depreciation on Disposals	-	2	-	-	-	2
Exchange adjustments	-	-	-	-	-	-
Closing net book amount	**561**	**3**	**4**	**4**	**-**	**572**
At 31 December 2022						
Cost	800	120	7	256	10	1,193
Accumulated depreciation	(239)	(117)	(3)	(252)	(10)	(621)
Net book amount	**561**	**3**	**4**	**4**	**-**	**572**

The net book value of land, included in freehold land and buildings above, comprises:

	2022 £'000	2021 £'000
Freehold land	**90**	90

11 Investments

	2022	2021
	£'000	£'000
Cost and net book value:		
At 1 January	-	-
Impairment	-	-
At 31 December	-	-

The company has the following subsidiary undertakings:

Company	Country of Registration	Proportion of Nominal value of Issued Shares held	Registered Address
Polydist Benelux B.V.	Netherlands	100% of the ordinary shares	Startbaan 6, 1186XR, Amstelveen, Netherlands
Resin Trade Limited Dormant	UK	100% of the ordinary shares	7 Granary Wharf, The Old Granary, Wetmore Road, Burton on Trent, Staffordshire DE14 1QU
Polydist (Europe) Limited Dormant	UK	100% of the ordinary shares	7 Granary Wharf, The Old Granary, Wetmore Road, Burton on Trent, Staffordshire DE14 1QU

The directors consider the value of the investment to be supported by its underlying assets.

12 Inventories

	2022 £'000	2021 £'000
Goods held for resale	**4,356**	3,378

The replacement cost of inventories is not materially different to the cost stated above.

Inventories of the company are stated after provisions for impairment of £130,000 (2021: £2,000).

13 Debtors

Amounts falling due within one year	2022 £'000	2021 £'000
Trade debtors	**6,172**	8,757
Amounts owed by group undertakings	**3,858**	3,754
Derivative financial instruments (note 18)	**11**	-
Prepayments and accrued income	**493**	255
	10,534	12,766

Trade debtors of the company are stated after provisions for impairment of £nil (2021: £nil).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. They are stated after provisions for impairment of £6,000 (2021:£6,000).

14 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank financing	**5,450**	7,527
Trade creditors	**3,291**	5,338
Amounts owed to group undertakings	**-**	-
Derivative financial instruments (note 18)	**-**	12
Other taxation and social security	**1,182**	383
Accruals and deferred income	**142**	255
	10,065	13,515

The bank financing is secured by floating charges over debtors and inventories and relates to the invoice discounting facility used by the company.

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

15 Provisions for liabilities

	Deferred taxation £'000
At 1 January 2022	9
Charged to the profit and loss account	-
At 31 December 2022	**9**

	2022 £'000	2021 £'000
Tax effect of timing differences because of:		
Accelerated capital allowances	**-**	9

16 Called up share capital

	2022	2021
	£'000	£'000
Allotted and fully paid		
226,268 (2021: 226,268) ordinary shares of £1 each	226	226

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17 Financial commitments

(a) Future capital expenditure

	2022	2021
	£'000	£'000
Contracted for but not provided	-	-

(b) Lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 December 2022		31 December 2021	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Payments due:				
Not later than one year	-	28	-	35
Later than one year and not later than five years	-	27	-	44
	-	55	-	79

(c) Other Commitments

A guarantee of £300,000 (2021: £300,000) has been given by the company's bankers in favour of H M Revenue and Customs.

Standby letters of credit for £3,500,000 (2021: £2,500,000) have been given in respect of imports by RAI (Note 19).

18 Financial instruments

The company has the following financial instruments:	2022 £'000	2021 £'000
Financial assets/(liabilities) at fair value through profit or loss:		
- Derivative financial instruments	**11**	(12)
Financial assets that are debt instruments measured at amortised cost:		
- Trade debtors and amounts owed by group undertakings	**10,030**	12,511
	10,030	12,511
Financial liabilities measured at amortised cost:		
- Bank financing (restated see Note 14)	**5,450**	7,527
- Trade creditors and amounts owed to group undertakings	**3,291**	5,338
- Accruals and other creditors	**1,324**	638
	10,065	13,503

The bank financing relates to the invoice discounting facility used by the company.

Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2022, the outstanding contracts all mature within 3 months (2021: 2 months) of the year end. The company is committed to buy $26,000 (2021 $nil), to buy €1,374,000 (2021 €1,642,000) and sell €82,000 (2021 €100,000) and pay and receive a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR. The fair value of these derivative financial instruments is positive £11,000) (2021: negative £12,000).

19 Related party transactions

(i) RAI is a company in which Mr Said Al Naqeeb, Mr Tareq Al Naqeeb and Mr Eduardo Contreiras Rodrigues Neto are directors and Mr Said Al Naqeeb and Mr Tareq Al Naqeeb are shareholders. During the year, the following transactions were carried out:

- The company purchased goods from RAI amounting to £71,000 (2021: £nil). There was £nil outstanding to RAI at the year end (2021: £nil).
- RAI opened standby letters of credit amounting to £3,500,000 (2021: £2,500,000). Total costs in the year of £48,000 (2021: £24,000) were charged by RAI to the company in relation to the letters of credit, of which £13,000 (2021: £8,000) is included in prepayments. There was £nil outstanding at the year end (2021: £nil). RAI made a charge to the company to fund the Letters of credit for the year amounting to £71,000 (2021: £37,000) of which £nil (2021: £nil) is included in accruals. There was £33,000 outstanding at the year end (2021: £12,000).
- The company recharged costs incurred of £7,000 to RAI (2021: £nil). £7,000 (2021: £nil) remains outstanding at the year end.
- RAI Charged interest of £15,000 (2021: £nil) to the company. £1,000 was outstanding at the year end (2021: £nil)
- RAI recharged the company other costs incurred of £34,000 (2021: £3,000). There was £1,000 outstanding at the year end (2021: £3,000).
- The company had a loans from RAI for $250,000 and £1,000,000 all of which were repaid during the year.

(ii) The company was purchased by Polydist Europe Holdings Limited in June 2016 transactions with group companies are eliminated on consolidation and have not been included in the related party note.

(iii) The company has a 10% holding in the shares in Polysud Limited a company incorporated in Guernsey, which it received for nil consideration. The company purchased services from Polysud Limited during the year amounting to £nil (2021: £nil). There was a balance of £nil (2021: £nil) outstanding to Polysud Limited at the year end.

Notes to the financial statements for the year ended 31 December 2022 (continued)

20 Ultimate controlling party

The immediate and ultimate parent company is Polydist Europe Holdings Limited, which is incorporated in England and owns 100% of the ordinary share capital of the company. The financial statements of Polydist Europe Holdings Limited (registered office: 7 Granary Wharf, The Old Granary, Wetmore Road, Burton on Trent, Staffordshire DE14 1QU), which is the largest and smallest group into which these financial statements are consolidated, are available from Companies House.

The Ultimate Controlling Party is Mr Said Al Naqeeb (Director) who controls 73% of the voting rights of the ordinary share capital of the Polydist Europe Holdings Limited.