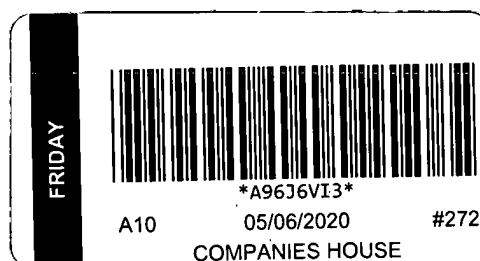




**KITE PACKAGING GROUP HOLDINGS LIMITED**  
**GROUP STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



**KITE PACKAGING GROUP HOLDINGS LIMITED**

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for the year ended 31 December 2019**

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**KITE PACKAGING GROUP HOLDINGS LIMITED**

**COMPANY INFORMATION**  
**for the year ended 31 December 2019**

**DIRECTORS:**

B.G. McInnes  
L.W. Durham  
C.G. McInnes  
G.J. Roediger  
B.A. Stiefel

**SECRETARY:**

M-B. Ashe

**REGISTERED OFFICE:**

186 Torrington Avenue  
Tile Hill  
Coventry  
CV4 9AJ

**REGISTERED NUMBER:**

06510008 (England and Wales)

**AUDITORS:**

Dafferns LLP  
Chartered Accountants  
Statutory Auditor  
One Eastwood  
Harry Weston Road  
Binley Business Park  
Coventry  
CV3 2UB

**BANKERS:**

Lloyds Bank Plc  
125 Colmore Row  
Birmingham  
B3 3SD

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2019

The directors present their strategic report of the Company and the Group for the year ended 31 December 2019.

#### OVERVIEW

In last year's Strategic Report, the Directors set out their expectation that, even after 2018's record results and despite Brexit on the horizon, the Group would make further progress in 2019. As events turned out, KPGH's results for 2019 were outstanding.

In 2019 KPGH's sales grew strongly to £91.2m (2018: £80.0m). In our view the market demand was pretty flat. However, there was severe price deflation of at least 5% in the packaging distribution market throughout most of the year. On the other hand, there was significant overall price inflation for Packaging Recovery Notes during the year. Given the relative sizes of our distribution versus compliance activities, the sales growth of 14% reflects a gain in market share for KPGH's packaging distribution operations. This attests to Kite Packaging's focus on offering customers outstanding service as well as creative packaging solutions and products.

During 2019 Kite Packaging started a new specialist Aerospace & Defence division offering complex design and highly bespoke product supply services to customers in those sectors. This A&D division made great strides in its first year. Kite Packaging also expanded its geographic footprint with a new Regional Distribution Centre in Newcastle-Gateshead to give coverage of the North East of England and into Scotland. These two new initiatives reflect the Group's willingness to invest for growth and to accept the initial start-up losses from these activities; in 2019 these losses came to c.£500k. Notwithstanding this, KPGH's Operating profit before goodwill amortisation, which includes the Operating profit of the Group's property portfolio, grew by 16.1% to £10.4m (2018: £9.0m). This Operating profit, as a percentage of sales was 11.4% (2018: 11.2%), illustrating the continuing operating efficiency of the 'Kite machine'.

#### SECTION 172 STATEMENT

The Directors consider that they have acted in a manner that is most likely to promote the success of the KPGH Group for the benefit of shareholders as a whole, and in doing so, have had regard to all the stakeholders and the matters set out in Section 172 of the Companies Act 2006.

The Directors view the key company stakeholders and methods of engagement as:

#### STAKEHOLDER GROUP

#### PRINCIPAL METHODS OF ENGAGEMENT

Shareholders	Kite believes passionately in its employee-ownership model. See the section Shareholders & Issued Share Capital on page 4 for more details.
Employees	Two-way communication with employees is a high priority in Kite and continues through a variety of methods and channels to ensure employees are fully informed about current issues related to the business. See section Employees on page 3 for further information.
Customers	Kite prides itself on working closely with its customers to fulfil and understand their requirements, offering efficient and effective solutions for their packaging needs.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT For the year ended 31 December 2019

#### SECTION 172 STATEMENT - continued

Suppliers	Kite believes strongly in having a long-term, mutually beneficial partnership relationship with its suppliers. Kite's strong balance sheet also provides assurance to suppliers that Kite is not a credit risk.
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Within this report the Directors have recorded how they have considered the above in the decisions they have taken during the financial year.

#### EMPLOYEES

KPGH's average number of employees rose by 10.1% to 295 in 2019. The Group believes passionately that its employees, supported by our employee-ownership model, are a major differentiator from our competitors. The talent and dedication of our employees to our customers cannot be overstated. Our 2019 growth is a testament to them.

KPGH recognises the critical part that its employees play in every facet of its business. The Group recognises that discrimination is unacceptable and is an equal opportunity employer which treats all prospective and existing staff without favour. The Group is committed to providing opportunities and training for people with disabilities to be employed whenever suitable positions are available.

Two-way communication with employees is a high priority in KPGH and continues through a variety of methods and channels to ensure employees are fully informed about current issues related to the business.

In September 2019, Bruce McInnes stepped down from his full-time executive role and Gavin Ashe was appointed as Managing Director of Kite's operating companies.

#### PROPERTIES

The Group has a significant property portfolio which was valued at £16.4m at the year end and comprises 4 freehold properties and 1 long-leasehold property. All the Group's properties are occupied by Kite Packaging operations and whilst internal rentals are paid to ensure fair cost attribution to operations, it does mean that the majority of our operations have security of location and are not exposed to excessive rent increases from, or dilapidation exposure to, third party landlords.

A major competitive advantage for KPGH's operations, is that all but 3 regional distribution centres operate from Kite Group-owned properties. The Group's exposure to long-term property leases over their lifetime of £2.0m (2018: £1.5m) is therefore modest.

#### DIVIDENDS

In 2019 a dividend of 7.00p per share (2018: 5.25p) was paid to shareholders at a cost of £1,174k (2017: £886k).

In view of the uncertainties related to the Covid-19 virus, the Directors believe it is currently prudent not to propose a dividend in respect of 2019. Dependant on the market and economic situation at the time, consideration may be given to declaring a final dividend in respect of 2019 later in the year.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2019

#### BALANCE SHEET

As always, strong focus on balance sheet management took place in 2019. Net Operating Trading Assets (stock + trade debtors – trade creditors) grew by £2.0m to £8.2m (2018: £6.2m). This increase is attributable to our decision to increase packaging stocks, especially imported product, towards the year end as well as the abnormally high year-end debtors in the Compliance Division caused by a big spike in PRN prices in Q4. The Group also continued to invest in the infrastructure of its operations with fixed asset additions in 2019 of £1,061k (2018: £958k) continuing to exceed depreciation of £877k (2018: £769k). These factors, together with the outstanding trading performance, led to very strong operating cash generation of £5.3m.

2019's cash generation together with the £5.2m from the issue of new shares (referred to below) resulted in KPGH holding cash balances of £15.7m (2018: £5.3m) at the 2019 year-end, with no utilisation of the £4.5m Receivables Finance Facility.

The Group has a medium-term loan from Lloyds Bank of £4.4m (2017: £4.7m) which we see as matched against our long-term property assets providing very modest asset-leverage.

Consolidated Shareholders' Equity increased by 40.6% to £40.2m (2018: £28.6m). The increase arose from the year's retained earnings after paying the dividend as well as the issue of new shares (referred to below). With Tangible Shareholder's Funds of £35.5m, KPGH probably has the strongest balance sheet in the UK packaging distribution sector giving customers confidence that we can invest on their behalf, and suppliers assurance that Kite is not a credit risk.

#### SHAREHOLDERS & ISSUED SHARE CAPITAL

There were several major events in 2019 which resulted in:

- a material increase in the number of issued shares;
- a change in employee shareholdings; and
- a new major shareholder in KPGH.

##### a) Enterprise Management Incentive Scheme

At the start of 2014 the Kite Group launched a very ambitious 5-year strategic growth initiative - the V5 Plan. In support of this, an Enterprise Management Incentive Scheme was established. 14 senior Kite executives, excluding Bruce McInnes (Chairman), participated in this Scheme. The 5-year term of the EMI Scheme was completed at the end of 2018 and all vested options (1,310,000 shares in KPGH) were exercised in 2019. With option holders generally adopting the cashless exercise facility, 900,000 shares (net) were required. 450,000 shares were available from unallocated shares held in the Kite Packaging Employee Share Trust leaving a balance of 450,000 shares to be settled by the issue of new shares in KPGH.

The attributable cost of the EMI Scheme was £1.7m and this is shown as an exceptional item. This charge is partly off-set by a £599k tax deduction.

##### b) Offer to employee-shareholders

In Q3 2019 an Offer was extended to all employee shareholders to allow them to sell up to 60% of their qualifying shares in KPGH at 400p per share. This Offer was extended by a consortium comprising the McInnes family and Kifin Limited. Kifin represents the interests of a private family office with whom the McInnes family has a long-standing relationship. 2.8 million shares were tendered by employee shareholders and acquired by the consortium.

##### c) Subscription for new shares

As part of the above Offer arrangements, Kifin Limited also subscribed for 1.3 million new KPGH shares at 400p per share.

As a result of a) and c), 1.75 million new KPGH shares were issued during 2019.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2019

#### BOARD OF DIRECTORS

Following the completion of matters b) and c) above, Greg Roediger and Barry Stiefel joined the Board of Directors as representatives of Kifin Limited.

#### KEY PERFORMANCE INDICATORS

Within each of its business activities, the Group closely monitors:

- a) Sales and sales growth
- b) % Trading Gross profit: Sales
- c) % Operating expenses: Sales
- d) % Operating profit: Sales

Key performance indicators b) and c) are extremely important and are not disclosed for competitive reasons.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group and the factors mitigating against these risks are as follows:

RISK	MITIGATING FACTORS
<u>Trade receivables</u> The Group has several large customers who at any time can each owe well in excess of £100,000 on trade account.	The Group monitors the credit worthiness of all major customers on an on-going basis. Further, no customer represents more than 5% of the total trade debtor book at any time.
<u>Cost price fluctuations</u> The Group is exposed to fluctuations in cost prices from suppliers and also to exchange rate volatility on the purchases of imported products	All the major participants in the UK packaging distribution market face these issues and generally move rapidly to raise selling prices to recover input price increases. Price decreases on the other hand could result in stock on hand being held at a higher cost than prevailing market selling prices. This exposure is mitigated by Kite's high stock turns. Furthermore, Kite has no customers which enjoy fixed long-term prices.
<u>Supplier failure</u> As a distributor, Kite is exposed to the possible closure or failure of a manufacturer-supplier.	Kite ensures that it has alternative sources of supply, at competitive prices, for all its core products.
<u>Financial liquidity &amp; interest rates</u> The Group may need access to short-term funding for its working capital needs. The Group is therefore exposed to interest rate increases on such borrowings.	The Group manages the quantum of its interest-bearing debt and its repayment profile on a very cautious basis. In addition, the Group has a committed, significant receivables finance facility, at a competitive market interest rate, which is in excess of foreseeable needs.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2019

#### PRINCIPAL RISKS AND UNCERTAINTIES - continued

<p><u>Properties</u></p> <p>Kite faces the risk of fire, flood, civil disturbance and theft resulting in damage to, or loss of, stock and building fabric, as well as disruption to operations, adverse environmental impact or harm to personnel.</p> <p>Kite also occupies 3 properties leased from 3rd party landlords which give rise to a risk of rental increases and end-of-lease dilapidations.</p>	<p>The Group has in place risk assessments and fire management plans to mitigate these risks, as well as relevant insurance policies.</p> <p>The leases are on agreed fixed future rentals and the properties are well maintained by Kite thereby lowering the risk of significant dilapidation claims. In addition, Kite makes a monthly financial provision for such future potential dilapidation claims.</p>
<p><u>People</u></p> <p>Kite operates with a decentralised, partnership model. Local decision making could result in the Group facing an unanticipated risk.</p> <p>The Group also faces the potential risk of the loss of key personnel.</p>	<p>The Group operates a very comprehensive reporting regime with tight financial controls. Authority levels are clearly documented and monitored for adherence.</p> <p>Kite ensures that its remuneration programme is in line with the market.</p> <p>Its employee-ownership model also acts as a major financial incentive for key personnel.</p>
<p><u>IT Systems</u></p> <p>Kite operates its own IT systems across all operations and therefore faces the risk of IT software and / or hardware failure, as well as security failures and cyber-attacks.</p>	<p>The Group monitors the age and specification of all IT equipment to ensure that security and performance are not compromised. The Group operates a continuous IT upgrade and replacement programme. In addition, the Group operates a full suite of security applications for its IT systems and routinely undertakes penetration testing. Operationally critical hardware and software functions are held at a secure off-site data centre, with a secondary back up site, which are managed on a 24/7 basis.</p>

#### FUTURE DEVELOPMENTS AND R&D

The Group does not undertake pure research and development as such but, as a matter of course, routinely develops new packaging solutions for its major customers. We also continuously work on innovative developments in our internet-based business, Kite-on-line.



## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2019

#### STRATEGY

The Kite Group's strategy remains unchanged with our 3 key business units serving the UK packaging distribution market:

- **Compliance Division.** The Division supports its customer-members in complying with the Packaging Waste Regulations. Kite is the only packaging distributor in the UK which offers this added-value service to its customers.
- **Regional Distribution Centres.** Kite's 7 RDCs, which operate on a geographic territory basis, provide service & solutions to large customers who generally require mainly customer-specific packaging products.
- **Kite-on-line.** KOL sells and supplies a comprehensive range of standard packaging products to B2B customers, on either a pre-paid or credit account basis, via its website - [kitepackaging.co.uk](http://kitepackaging.co.uk) - and fulfils orders from its National Distribution Centre in Coventry.

#### INVESTMENT FOR GROWTH

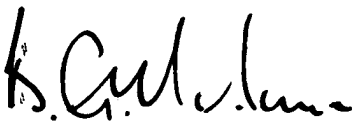
Besides its on-going investment in the infrastructure of its businesses, the Group has entered into Heads of Terms for the acquisition of a new state-of-the-art 200,000 sq. ft distribution and technical centre in the Midlands. This facility is expected to cost c.£25m, which will largely be funded out of KPGH's existing cash resources. Occupation is expected in Q3 of 2021.

#### OUTLOOK

Growth is a fundamental part of Kite's DNA and as we prepared our budgets for the 2020 financial year, the big external issues facing KPGH appeared to be the uncertainties around the implementation of Brexit and the volatility of PRN prices. These have now paled into virtual insignificance, at least for the short term, with the impact of the Covid-19 virus. The fallout from this could verge on being catastrophic for businesses and, at this stage, is unpredictable. Our prime concern is for our employee-partners, customers and suppliers and we will take whatever steps we reasonably can, to protect and support them.

It is at such times, that the Kite Group's strong financial position (31 December 2019 - cash on hand of £15.7m; medium term debt of £4.4m) is a key factor for our future. Finances aside however, as in the past, KPGH's performance in 2020 will more than ever depend on Kite's people. Kite's employee-share ownership model creates an identity of interest between the Group and its employees, and the Directors believe that this will see us through to better times ahead.

#### ON BEHALF OF THE BOARD:



B.G. McInnes - Director

Date: 30 April 2020

## **KITE PACKAGING GROUP HOLDINGS LIMITED**

### **REPORT OF THE DIRECTORS for the year ended 31 December 2019**

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2019.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group in the year under review were those of supplying packaging materials and related services. In addition, the Group owns a significant property portfolio; all properties are occupied by Group businesses.

#### **DIVIDENDS**

A final dividend of 7.00p per Ordinary share (all classes) was paid in July 2019.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

B.G. McInnes

L.W. Durham

C.G. McInnes

Other changes in directors holding office are as follows:

G.J. Roediger - appointed 17 October 2019

B.A. Stiefel - appointed 17 October 2019

#### **DISCLOSURE IN THE STRATEGIC REPORT**

Future developments, research and development and policies relating to employees are set out in the Group Strategic Report in accordance with s414C(11) CA 2006.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group'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.

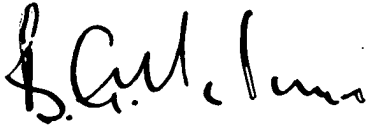
**KITE PACKAGING GROUP HOLDINGS LIMITED**

**REPORT OF THE DIRECTORS  
for the year ended 31 December 2019**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'B.G. McInnes', written in a cursive style.

B.G. McInnes - Director

Date: 30 April 2020

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KITE PACKAGING GROUP HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of Kite Packaging Group Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, 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 affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KITE PACKAGING GROUP HOLDINGS LIMITED**

### **Matters on which we are required to report by exception**

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 Report of the Directors.

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

- adequate accounting records have not been kept 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**

As explained more fully in the Statement of Directors' Responsibilities set out on page eight, 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 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.

### **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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

### **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 a Report of the Auditors 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.



Geoffrey Cox BA FCA (Senior Statutory Auditor)  
for and on behalf of Dafferns LLP  
Chartered Accountants  
Statutory Auditor  
One Eastwood  
Harry Weston Road  
Binley Business Park  
Coventry  
CV3 2UB

Date: 30 April 2020

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>TURNOVER</b>	4	91,244	79,978
Cost of sales		<u>66,884</u>	<u>58,464</u>
<b>GROSS PROFIT</b>		24,360	21,514
Administrative expenses		<u>14,796</u>	<u>13,381</u>
		9,564	8,133
Other operating income		<u>63</u>	<u>50</u>
<b>OPERATING PROFIT</b>	6	9,627	8,183
Exceptional item	7	<u>1,707</u>	<u>-</u>
		7,920	8,183
Interest receivable and similar income		<u>37</u>	<u>12</u>
		7,957	8,195
Interest payable and similar expenses	8	<u>118</u>	<u>128</u>
<b>PROFIT BEFORE TAXATION</b>		7,839	8,067
Tax on profit	9	<u>1,294</u>	<u>1,586</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>6,545</u>	<u>6,481</u>
Profit attributable to Shareholders		<u>6,545</u>	<u>6,481</u>

The notes form part of these financial statements

**KITE PACKAGING GROUP HOLDINGS LIMITED**  
**CONSOLIDATED OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 December 2019**

	2019 £'000	2018 £'000
<b>PROFIT FOR THE YEAR</b>	6,545	6,481
<b>OTHER COMPREHENSIVE INCOME</b>		
Revaluation of properties	451	1,495
Income tax relating to revaluation of properties	<u>(95)</u>	<u>(223)</u>
<b>OTHER COMPREHENSIVE INCOME NET OF INCOME TAX FOR THE YEAR</b>	<u>356</u>	<u>1,272</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>6,901</u>	<u>7,753</u>
Total comprehensive income attributable to Shareholders	<u>6,901</u>	<u>7,753</u>

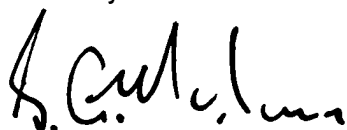
The notes form part of these financial statements

KITE PACKAGING GROUP HOLDINGS LIMITED (REGISTERED NUMBER: 06510008)

CONSOLIDATED BALANCE SHEET  
31 December 2019

	Notes	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	12	4,717	5,485
Tangible assets	13	19,448	18,813
Investments	14	-	-
		<u>24,165</u>	<u>24,298</u>
<b>CURRENT ASSETS</b>			
Stocks	15	5,867	4,948
Debtors	16	13,677	13,380
Cash at bank and in hand		<u>15,746</u>	<u>5,255</u>
		35,290	23,583
<b>CREDITORS</b>			
Amounts falling due within one year	17	<u>14,554</u>	<u>14,456</u>
<b>NET CURRENT ASSETS</b>		<u>20,736</u>	<u>9,127</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		44,901	33,425
<b>CREDITORS</b>			
Amounts falling due after more than one year	18	3,963	4,350
<b>PROVISIONS FOR LIABILITIES</b>	23	<u>754</u>	<u>434</u>
<b>NET ASSETS</b>		<u>40,184</u>	<u>28,641</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	1,907	1,732
Share premium	25	10,222	4,581
Revaluation reserve	25	3,162	2,806
Capital redemption reserve	25	100	100
Retained earnings	25	<u>24,793</u>	<u>19,422</u>
<b>SHAREHOLDERS' EQUITY</b>		<u>40,184</u>	<u>28,641</u>

The financial statements were approved by the Board of Directors on 30 April 2020 and were signed on its behalf by:



B.G. McInnes - Director

The notes form part of these financial statements



**KITE PACKAGING GROUP HOLDINGS LIMITED (REGISTERED NUMBER: 06510008)**

**COMPANY BALANCE SHEET**  
**31 December 2019**

	Notes	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	12	-	-
Tangible assets	13	-	-
Investments	14	<u>20,133</u>	<u>20,834</u>
		20,133	20,834
<b>CURRENT ASSETS</b>			
Debtors	16	9,497	1,179
Cash at bank		<u>1</u>	<u>1</u>
		9,498	1,180
<b>CREDITORS</b>			
Amounts falling due within one year	17	<u>420</u>	<u>430</u>
<b>NET CURRENT ASSETS</b>		<u>9,078</u>	<u>750</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		29,211	21,584
<b>CREDITORS</b>			
Amounts falling due after more than one year	18	<u>3,963</u>	<u>4,350</u>
<b>NET ASSETS</b>		<u>25,248</u>	<u>17,234</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	1,907	1,732
Share premium	25	10,222	4,581
Capital redemption reserve	25	100	100
Retained earnings	25	<u>13,019</u>	<u>10,821</u>
<b>SHAREHOLDERS' EQUITY</b>		<u>25,248</u>	<u>17,234</u>
Company's profit for the financial year		<u>3,874</u>	<u>5,319</u>

The financial statements were approved by the Board of Directors on 30 April 2020 and were signed on its behalf by:



B.G. McInnes - Director

The notes form part of these financial statements

**KITE PACKAGING GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2019

	Called up share capital £'000	Share premium £'000	Revaluation reserve £'000
<b>Balance at 1 January 2018</b>	1,732	4,581	1,534
<b>Changes in equity in 2018</b>			
Dividends	-	-	-
Total comprehensive income	-	-	1,272
Options granted - share based payments	-	-	-
<b>Balance at 31 December 2018</b>	<u>1,732</u>	<u>4,581</u>	<u>2,806</u>
<b>Changes in equity in 2019</b>			
Issue of share capital	175	5,641	-
Dividends	-	-	-
Total comprehensive income	-	-	356
<b>Balance at 31 December 2019</b>	<u>1,907</u>	<u>10,222</u>	<u>3,162</u>
	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	100	13,720	21,667
<b>Changes in equity in 2018</b>			
Dividends	-	(886)	(886)
Total comprehensive income	-	6,481	7,753
Options granted - share based payments	-	107	107
<b>Balance at 31 December 2018</b>	<u>100</u>	<u>19,422</u>	<u>28,641</u>
<b>Changes in equity in 2019</b>			
Issue of share capital	-	-	5,816
Dividends	-	(1,174)	(1,174)
Total comprehensive income	-	6,545	6,901
<b>Balance at 31 December 2019</b>	<u>100</u>	<u>24,793</u>	<u>40,184</u>

The notes form part of these financial statements

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2019**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	1,732	4,581	100	6,281	12,694
<b>Changes in equity in 2018</b>					
Dividends	-	-	-	(886)	(886)
Total comprehensive income	-	-	-	5,319	5,319
Options granted - share based payments	-	-	-	107	107
<b>Balance at 31 December 2018</b>	<u>1,732</u>	<u>4,581</u>	<u>100</u>	<u>10,821</u>	<u>17,234</u>
<b>Changes in equity in 2019</b>					
Issue of share capital	175	5,641	-	-	5,816
Dividends	-	-	-	(1,174)	(1,174)
Total comprehensive income	-	-	-	3,874	3,874
Options exercised - share based payments	-	-	-	(502)	(502)
<b>Balance at 31 December 2019</b>	<u>1,907</u>	<u>10,222</u>	<u>100</u>	<u>13,019</u>	<u>25,248</u>

The notes form part of these financial statements

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	8,820	9,502
Interest paid		(118)	(128)
Tax paid		<u>(1,451)</u>	<u>(1,307)</u>
Net cash from operating activities		<u>7,251</u>	<u>8,067</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(1,061)	(1,699)
Sale of tangible fixed assets		9	48
Sale of current asset investments		-	228
Interest received		<u>37</u>	<u>12</u>
Net cash from investing activities		<u>(1,015)</u>	<u>(1,411)</u>
<b>Cash flows from financing activities</b>			
Loan repayments in period		(387)	(387)
Shares issued		5,816	-
Receivables finance		-	(979)
Dividends paid		<u>(1,174)</u>	<u>(886)</u>
Net cash from financing activities		<u>4,255</u>	<u>(2,252)</u>
<b>Increase in cash and cash equivalents</b>		<u>10,491</u>	<u>4,404</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>5,255</u>	<u>851</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>15,746</u></u>	<u><u>5,255</u></u>

The notes form part of these financial statements

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2019

### 1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019 £'000	2018 £'000
Profit before taxation	7,839	8,067
Depreciation charges	877	769
Profit on disposal of fixed assets	(9)	(4)
Amortisation of goodwill	768	771
Share-based payment	-	107
Profit on sale of investments	-	(35)
Finance costs	118	128
Finance income	<u>(37)</u>	<u>(12)</u>
	9,556	9,791
(Increase)/decrease in stocks	(919)	277
Increase in trade and other debtors	(297)	(1,057)
Increase in trade and other creditors	<u>480</u>	<u>491</u>
<b>Cash generated from operations</b>	<u><b>8,820</b></u>	<u><b>9,502</b></u>

### 2. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as disclosed in the Cash Flow Statement are shown in the Balance Sheet as:

#### Year ended 31 December 2019

	31.12.19 £'000	1.1.19 £'000
Cash at bank and in hand	<u>15,746</u>	<u>5,255</u>

#### Year ended 31 December 2018

	31.12.18 £'000	1.1.18 £'000
Cash at bank and in hand	<u>5,255</u>	<u>851</u>

### 3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.19 £'000	Cash flow £'000	At 31.12.19 £'000
<b>Net cash</b>			
Cash at bank and in hand	<u>5,255</u>	<u>10,491</u>	<u>15,746</u>
	<u>5,255</u>	<u>10,491</u>	<u>15,746</u>
<b>Debt</b>			
Debts falling due within 1 year	(387)	-	(387)
Debts falling due after 1 year	<u>(4,350)</u>	<u>387</u>	<u>(3,963)</u>
	<u>(4,737)</u>	<u>387</u>	<u>(4,350)</u>
	<u>518</u>	<u>10,878</u>	<u>11,396</u>

The notes form part of these financial statements

## KITE PACKAGING GROUP HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2019

#### 1. STATUTORY INFORMATION

Kite Packaging Group Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The financial statements are presented in sterling which is the functional currency of the Company and financial figures are rounded to the nearest £000.

#### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

#### 3. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property assets.

##### **Basis of consolidation**

The consolidated financial statements incorporate the accounts of the Company and all of its subsidiaries. The subsidiaries have been accounted for under the equity accounting method.

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually on dispatch of the goods.

Revenue from the rendering of services is recognised in the period in which services are delivered.

##### **Intangible fixed assets**

Goodwill arising on:

- the acquisition on 31 March 2008 of Kite Packaging Group Limited is being amortised over 20 years.
- the acquisition of a business in February 2015 has been categorised between customer base which is being amortised over 5 years and brand name which was written off over 12 months.
- the acquisition of a company in June 2016 solely relates to the customer base and is being amortised over 7 years.
- the acquisition of a company in July 2017 has been categorised between customer base which is being amortised over 7 years and acquiring market share in a specific range of products which is being amortised over 10 years.

Patents have been amortised over 3 years.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

#### 3. ACCOUNTING POLICIES - continued

##### **Tangible fixed assets**

Tangible fixed assets (except for freehold and leasehold property) are recognised at cost and subsequently measured under historical cost being cost less accumulated depreciation and any accumulated impairment losses.

Freehold and leasehold property is shown at fair value, with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value at 31 December 2019. The valuer used a valuation technique based on a rate per sq. ft and market evidence for similar properties.

Repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is provided at the following annual rates in order to write off the cost of each asset over its estimated useful life.

Plant & machinery	- 20% - 50% on cost
Fixtures & fittings	- 10% - 33% on cost
Motor vehicles	- 14% - 33% on cost
Computer equipment	- 20% - 50% on cost

Any gains and losses on the disposal of tangible fixed assets are recognised in the income statement in the year that the disposal takes place.

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Cost is determined by valuing stock on a first-in, first-out basis.

##### **Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing differences.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### **Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 3. ACCOUNTING POLICIES - continued

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

#### Pension costs and other post-retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period in which they relate.

#### Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction value. Any losses arising from impairment are recognised in the income statement in administrative expenses.

#### Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees have been recognised as an expense, with a corresponding increase to shareholders' funds, over the vesting period of the awards. The amount ultimately recognised as an expense was adjusted to reflect the number of options for which the related service and performance conditions were met.

#### Leasing commitments

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

#### Investments in subsidiaries

Investments in subsidiary undertakings are shown at cost.

### 4. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the Group.

An analysis of turnover by class of business is:

	2019	2018
	£'000	£'000
Sales of goods	79,872	74,638
Compliance fees and PRN sales	11,372	5,332
Rental income	-	8
	<u>91,244</u>	<u>79,978</u>

An analysis of turnover by geographical market is:

	2019	2018
	£'000	£'000
United Kingdom	90,359	79,121
Europe	621	606
Rest of World	264	251
	<u>91,244</u>	<u>79,978</u>



**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2019

**5. EMPLOYEES AND DIRECTORS**

	2019	2018
	£'000	£'000
Wages and salaries	10,063	9,137
Social security costs	1,007	875
Other pension costs	<u>508</u>	<u>448</u>
	<u>11,578</u>	<u>10,460</u>

Included in salaries is £nil (2018: £107k) in respect of equity-settled share-based payments related to the EMI plan. See note 27.

Key management personnel compensation in the year totalled £1,752k (2018 - £1,570k).

The average number of employees during the year was as follows:

	2019	2018
	<u>295</u>	<u>268</u>
	2019	2018
	£	£
Directors' emoluments	<u>117,523</u>	<u>113,946</u>

**6. OPERATING PROFIT**

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

	2019	2018
	£'000	£'000
Depreciation - owned assets	877	769
Profit on disposal of fixed assets	(9)	(4)
Goodwill amortisation	768	769
Patents amortisation	-	2
Auditors' remuneration	7	7
Audit of accounts of subsidiary companies	11	11
Taxation compliance services	4	4
Other non- audit services	14	14
Operating leases - motor vehicles and other assets	36	52
Operating leases - property	<u>327</u>	<u>271</u>

**7. EXCEPTIONAL ITEM**

	2019	2018
	£'000	£'000
Exceptional item	<u>1,707</u>	<u>-</u>

The exceptional item is the cost of awarding unallocated shares in the Kite Packaging Employee Share Trust in order to fulfil the vested share options exercised during the year by employees in the EMI plan.

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£'000	£'000
Receivables finance interest	1	9
Loan	<u>117</u>	<u>119</u>
	<u>118</u>	<u>128</u>

### 9. TAXATION

#### Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax	1,146	1,678
Prior year adjustment	<u>(77)</u>	<u>(61)</u>
Total current tax	<u>1,069</u>	<u>1,617</u>
Deferred tax:		
Current year charge	205	(31)
Prior year adjustment	<u>20</u>	<u>-</u>
Total deferred tax	<u>225</u>	<u>(31)</u>
Tax on profit	<u>1,294</u>	<u>1,586</u>

#### Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£'000	£'000
Profit before tax	<u>7,839</u>	<u>8,067</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,489	1,533
Effects of:		
Expenses not deductible for tax purposes	27	12
Goodwill amortisation not deductible for tax purposes	137	137
Prior year adjustment	(57)	(61)
Changes in tax rates and rounding	10	3
R&D Enhancement	(38)	(38)
EMI cost not deductible for tax purposes	325	-
EMI cost allowable for tax purposes	<u>(599)</u>	<u>-</u>
Total tax charge	<u>1,294</u>	<u>1,586</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2019

**9. TAXATION - continued**

**Tax effects relating to effects of other comprehensive income**

	Gross £'000	2019 Tax £'000	Net £'000
Revaluation of properties	<u>451</u>	<u>(95)</u>	<u>356</u>
	Gross £'000	2018 Tax £'000	Net £'000
Revaluation of properties	<u>1,495</u>	<u>(223)</u>	<u>1,272</u>

**10. INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**11. DIVIDENDS**

	2019 £'000	2018 £'000
Final dividends on ordinary shares		
5.25p per share – relating to 2017 results	-	886
7.00p per share – relating to 2018 results	<u>1,174</u>	-
	<u>1,174</u>	<u>886</u>

**12. INTANGIBLE FIXED ASSETS**

**Group**

	Goodwill £'000	Patents £'000	Totals £'000
<b>COST</b>			
At 1 January 2019			
and 31 December 2019	<u>10,747</u>	<u>11</u>	<u>10,758</u>
<b>AMORTISATION</b>			
At 1 January 2019	5,262	11	5,273
Amortisation for year	<u>768</u>	-	<u>768</u>
At 31 December 2019	<u>6,030</u>	<u>11</u>	<u>6,041</u>
<b>NET BOOK VALUE</b>			
At 31 December 2019	<u>4,717</u>	-	<u>4,717</u>
At 31 December 2018	<u>5,485</u>	-	<u>5,485</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2019

**13. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold properties £'000</b>	<b>Long leasehold £'000</b>	<b>Plant and machinery £'000</b>
<b>COST OR VALUATION</b>			
At 1 January 2019	11,735	4,250	1,425
Additions	-	4	69
Disposals	-	-	(32)
Revaluations	<u>455</u>	<u>(4)</u>	<u>-</u>
At 31 December 2019	<u>12,190</u>	<u>4,250</u>	<u>1,462</u>
<b>DEPRECIATION</b>			
At 1 January 2019	-	-	635
Charge for year	-	-	239
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(32)</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>842</u>
<b>NET BOOK VALUE</b>			
At 31 December 2019	<u>12,190</u>	<u>4,250</u>	<u>620</u>
At 31 December 2018	<u>11,735</u>	<u>4,250</u>	<u>790</u>

	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Computer equipment £'000</b>	<b>Totals £'000</b>
<b>COST OR VALUATION</b>				
At 1 January 2019	1,922	1,495	1,390	22,217
Additions	141	712	135	1,061
Disposals	(26)	(101)	(174)	(333)
Revaluations	<u>-</u>	<u>-</u>	<u>-</u>	<u>451</u>
At 31 December 2019	<u>2,037</u>	<u>2,106</u>	<u>1,351</u>	<u>23,396</u>
<b>DEPRECIATION</b>				
At 1 January 2019	917	964	888	3,404
Charge for year	207	218	213	877
Eliminated on disposal	<u>(26)</u>	<u>(101)</u>	<u>(174)</u>	<u>(333)</u>
At 31 December 2019	<u>1,098</u>	<u>1,081</u>	<u>927</u>	<u>3,948</u>
<b>NET BOOK VALUE</b>				
At 31 December 2019	<u>939</u>	<u>1,025</u>	<u>424</u>	<u>19,448</u>
At 31 December 2018	<u>1,005</u>	<u>531</u>	<u>502</u>	<u>18,813</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 13. TANGIBLE FIXED ASSETS - continued

#### Group

Cost or valuation at 31 December 2019 is represented by:

	Freehold properties £'000	Long leasehold £'000	Plant and machinery £'000
Cost	9,521	3,298	1,462
Valuation uplift in 2015	593	-	-
Valuation uplift in 2016	197	-	-
Valuation decrease in 2016	-	(40)	-
Valuation uplift in 2017	792	134	-
Valuation uplift in 2018	632	862	-
Valuation uplift in 2019	455	-	-
Valuation decrease in 2019	-	(4)	-
	<u>12,190</u>	<u>4,250</u>	<u>1,462</u>

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
Cost	2,037	2,106	1,351	19,775
Valuation uplift in 2015	-	-	-	593
Valuation uplift in 2016	-	-	-	197
Valuation decrease in 2016	-	-	-	(40)
Valuation uplift in 2017	-	-	-	926
Valuation uplift in 2018	-	-	-	1,494
Valuation uplift in 2019	-	-	-	455
Valuation decrease in 2019	-	-	-	(4)
	<u>2,037</u>	<u>2,106</u>	<u>1,351</u>	<u>23,396</u>

If freehold land and buildings had not been revalued, they would have been shown at the following historical costs:

	2019 £'000	2018 £'000
Costs	<u>12,818</u>	<u>12,814</u>

Freehold land and buildings were valued on a fair value basis on 31 December 2019 and 2018 by BNP Paribas Real Estate.

### 14. FIXED ASSET INVESTMENTS

	Company	
	2019 £'000	2018 £'000
Shares in group undertakings	10,133	10,634
Loans to group undertakings	<u>10,000</u>	<u>10,200</u>
	<u>20,133</u>	<u>20,834</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 14. FIXED ASSET INVESTMENTS - continued

Additional information is as follows:

#### Company

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2019	10,634
Disposals	<u>(501)</u>
At 31 December 2019	<u>10,133</u>
<b>NET BOOK VALUE</b>	
At 31 December 2019	<u>10,133</u>
At 31 December 2018	<u>10,634</u>

#### Company

	Loans to group undertakings £'000
At 1 January 2019	10,200
Repayment in year	<u>(200)</u>
At 31 December 2019	<u>10,000</u>

The company holds 100% of the issued share capital of the following companies:-

<u>Name of Company</u>	<u>Principal activity</u>
Kite Packaging Group Limited	Holding company
Kite Packaging Properties 1 Limited	Property investment company
Kite Packaging Properties 2 Limited	Property investment company
Kite Packaging Properties 3 Limited	Property investment company
Kite Packaging Properties 4 Limited	Property investment company
Kite Packaging Properties 5 Limited	Property investment company
Flying Investments Limited	Dormant
Kite Packaging Properties Moat Limited	Dormant (Incorporated 20 November 2019)

Kite Packaging Group Limited holds 100% of the issued share capital of the following companies:-

Kite Packaging Limited	Packaging materials distributor
Kite Environmental Solutions Limited	Packaging Regulations compliance scheme
Paperpak Limited	Packaging Regulations compliance scheme
Kite Consulting Limited	Dormant

Kite Packaging Limited held investments in entities that have now been dissolved. Consequently, Kite Packaging Limited impaired these investments to £nil.

The registered office of all companies listed above is 186 Torrington Avenue, Tile Hill, Coventry, West Midlands, UK, CV4 9AJ.

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2019

**15. STOCKS**

	<b>Group</b>	
	2019	2018
	£'000	£'000
Goods for resale	<u>5,867</u>	<u>4,948</u>

An impairment loss of £37k (2018: £36k) attributable to slow-moving and obsolete stock was recognised in cost of sales during the year.

**16. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	12,861	12,056	-	-
Other debtors	162	873	-	-
Prepayments	<u>654</u>	<u>451</u>	<u>-</u>	<u>-</u>
	<u>13,677</u>	<u>13,380</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>9,497</u>	<u>1,179</u>
	<u>13,677</u>	<u>13,380</u>	<u>9,497</u>	<u>1,179</u>

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans (see note 19)	387	387	387	387
Trade creditors	10,564	10,845	-	-
Tax	520	902	15	21
Social security and other taxes	1,767	1,183	-	-
Other creditors	575	319	13	14
Accrued expenses	<u>741</u>	<u>820</u>	<u>5</u>	<u>8</u>
	<u>14,554</u>	<u>14,456</u>	<u>420</u>	<u>430</u>

**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans (see note 19)	<u>3,963</u>	<u>4,350</u>	<u>3,963</u>	<u>4,350</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 19. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year or on demand:				
Bank loans	<u>387</u>	<u>387</u>	<u>387</u>	<u>387</u>
Amounts falling due between one and two years:				
Bank loans	<u>3,963</u>	<u>387</u>	<u>3,963</u>	<u>387</u>
Amounts falling due between two and five years:				
Bank loans	<u>-</u>	<u>3,963</u>	<u>-</u>	<u>3,963</u>
Bank loans:			2019 £'000	2018 £'000
- Repayable by quarterly instalments ending with a balancing payment in February 2021. Interest is charged at 1.75% above base rate.			<u>4,350</u>	<u>4,737</u>

### 20. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group	Non-cancellable operating leases	
	2019 £'000	2018 £'000
Within one year	341	299
Between one and five years	1,251	1,062
In more than five years	<u>377</u>	<u>157</u>
	<u>1,969</u>	<u>1,518</u>

### 21. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	2019 £'000	2018 £'000
Bank loans	<u>4,350</u>	<u>4,737</u>

The bank loans from Lloyds Bank are secured by a fixed charge over the properties and a floating charge over all other assets.

The Group has a receivables finance agreement with Lloyds Bank, secured against trade debtors. The Group has also entered into an all asset debenture in favour of Lloyds Bank.



**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2019

**22. FINANCIAL INSTRUMENTS**

	<b>Group</b>	
	2019	2018
	£'000	£'000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>13,023</u>	<u>12,929</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>15,490</u>	<u>15,901</u>

Financial assets measured at amortised cost comprise current asset investments, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, receivables financing and other creditors.

**23. PROVISIONS FOR LIABILITIES**

	<b>Group</b>	
	2019	2018
	£'000	£'000
Deferred tax		
Accelerated capital allowances	534	185
Short term timing difference - Share-based payments	-	(85)
Short term timing differences - other	(50)	(31)
Revaluation gains	<u>270</u>	<u>365</u>
	<u>754</u>	<u>434</u>
<b>Group</b>		
		Deferred tax
		£'000
Balance at 1 January 2019		434
Charge to Income Statement during year		225
Charge to other comprehensive income		<u>95</u>
Balance at 31 December 2019		<u>754</u>

**24. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2019	2018
Class:	Number:	Nominal value:	£'000	£'000
A Ordinary	19,072,860 (2018: 16,188,971)	10p	1,907	1,619
P Ordinary	NIL (2018: 1,133,889)	10p	-	113
			<u>1,907</u>	<u>1,732</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 24. CALLED UP SHARE CAPITAL - continued

On 16 July 2019 shares which had an aggregate nominal value of £45,000 were issued for an aggregate consideration of £616,500.

On 2 September 2019 a Special Resolution was passed by shareholders re-designating all issued P Ordinary shares into A Ordinary shares on a 1-for-1 basis.

On 9 September 2019 shares which had an aggregate nominal value of £130,000 were issued for an aggregate consideration of £5,200,000.

### 25. RESERVES

#### Group

	Share premium £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Totals £'000
At 1 January 2019	4,581	2,806	100	19,422	26,909
Profit for the year	-	-	-	6,545	6,545
Dividends	-	-	-	(1,174)	(1,174)
Share issue	5,641	-	-	-	5,641
Net revaluation gain	-	356	-	-	356
At 31 December 2019	<u>10,222</u>	<u>3,162</u>	<u>100</u>	<u>24,793</u>	<u>38,277</u>

#### Company

	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Totals £'000
At 1 January 2019	4,581	100	10,821	15,502
Profit for the year	-	-	3,874	3,874
Dividends	-	-	(1,174)	(1,174)
Share issue	5,641	-	-	5,641
Options exercised - share based payments	-	-	(502)	(502)
At 31 December 2019	<u>10,222</u>	<u>100</u>	<u>13,019</u>	<u>23,341</u>

Share premium - represents the premium arising on the issue of shares net of any issue costs.

Revaluation reserve - represents the cumulative changes in the fair value of freehold land and buildings, net of any deferred tax.

Capital redemption reserve - represents the redemption or purchase of the Company's own shares. This is a non-distributable reserve.

Retained earnings - represents cumulative profits and losses net of dividends and any other adjustments..

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 26. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Contracted but not provided for in the financial statements	<u>570</u>	<u>375</u>

### 27. EMI PLAN (EQUITY-SETTLED)

#### a) Description of share-based payment arrangements

On 16 December 2013 a share-based incentive payment plan was established by Kite Packaging Group Holdings Limited. The Scheme ended on 31 December 2018. Under this EMI Scheme certain key Kite management personnel were granted options over shares in Kite Packaging Group Holdings Limited at specified exercise prices and subject to the attainment of specific numeric performance targets. Options which vested as a result of targets being met were exercised by the holders during the exercise window in 2019. All exercised options were settled in 2019 by the physical delivery of shares against payment therefor.

The key terms and conditions which related to the grants under the Scheme were as follows:

	<u>16 December 2013</u>	<u>21 August 2015</u>
Date of grant	16 December 2013	21 August 2015
Granted	1,450,000	210,000
Vesting conditions	5 years service and various turnover and Operating profit targets over a 5 year period 1 January 2014 - 31 December 2018	4 years service and various turnover and Operating profit targets over a 4 year period 1 January 2015 - 31 December 2018
Exercise window	31 March 2019 - 30 September 2019	31 March 2019 - 30 September 2019

#### b) Measurement of fair values

The fair value of the employee share options granted was measured using the Black-Scholes formula. Service and non-market performance conditions attached to the transactions were not taken into account in measuring the fair value.

The inputs used in measurement of the fair values at grant date of the equity-settled share-based payment EMI Scheme were as follows:

	<b>2013 options</b>	<b>2015 options</b>
Fair value at grant date	33p	66p
Share price at grant date	93.8p	180p
Exercise price	95p	185p
Expected volatility	50%	58%
Expected life of option	5 years	4 years
Expected dividends	3%	3%
Risk free interest rate	2%	1.69%

Expected volatility was based on an evaluation of the historical volatility of the Company's share price over 6 years.

#### c) Reconciliation of outstanding share options

At 31 December 2018	1,310,000
Options granted in 2019	-
Exercised in 2019	(1,310,000)
Forfeited in 2019	-
At 31 December 2019	<u>-</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2019

### 27. EMI PLAN (EQUITY-SETTLED) - continued

d) Expense recognised in profit or loss

Details of the related employee benefits expenses in respect of equity-settled share-based payments related to the EMI Scheme can be found in note 5 and the Group Strategic Report.

### 28. KPG HOLDINGS LIMITED S.I.P. TRUST AND KITE PACKAGING EMPLOYEE SHARE TRUST

The Kite group of companies operates an HMRC-approved Shareholder Incentive Plan. All employees with six month's service are eligible to participate in the Plan. Employee contributions to the Plan are held separately in the KPG Holdings Limited S.I.P. Trust, as are certain unallocated shares.

Shares held by the KPG Holdings Limited S.I.P. Trust	2019 shares	2018 shares
- shares held on behalf of employees	1,222,712	1,185,584
- unallocated shares	<u>72,540</u>	<u>540,219</u>
	<u>1,295,252</u>	<u>1,725,803</u>

During the year, the Kite group of companies established the Kite Packaging Employee Share Trust (EST). The Trust was established principally to acquire non-SIP shares from employees.

Shares held by the EST	2019 shares
- shares held on behalf of employees	-
- unallocated shares	<u>28,045</u>
	<u>28,045</u>