



**KITE PACKAGING GROUP HOLDINGS LIMITED**  
**GROUP STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**KITE PACKAGING GROUP HOLDINGS LIMITED**

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for the year ended 31 December 2017**

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**KITE PACKAGING GROUP HOLDINGS LIMITED**

**COMPANY INFORMATION**  
**for the year ended 31 December 2017**

<b>DIRECTORS:</b>	Dr B.G. McInnes L.W. Durham C.G. McInnes
<b>SECRETARY:</b>	M-B. Ashe
<b>REGISTERED OFFICE:</b>	186 Torrington Avenue Tile Hill Coventry CV4 9AJ
<b>REGISTERED NUMBER:</b>	06510008 (England and Wales)
<b>AUDITORS:</b>	Dafferns LLP Chartered Accountants Statutory Auditor One Eastwood Harry Weston Road Binley Business Park Coventry CV3 2UB
<b>BANKERS:</b>	Lloyds Bank Plc 125 Colmore Row Birmingham B3 3SD

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2017

The directors present their strategic report of the Company and the Group for the year ended 31 December 2017.

#### OVERVIEW

We commenced 2017 with the greatest uncertainty for many years around input product price increases, particularly for corrugated packaging products. The impact of these, as they occurred, required a huge effort to manage effectively with as little disruption as possible to our business. It is therefore highly gratifying that Kite Packaging Group Holdings (KPGH) had a record year in 2017 with sales growing by 20.0% to £65.7m (2016: £54.7m). Excluding the impact of the acquisition of Brooks Packaging in July 2017, KPGH's sales still grew by 16.1%. We estimate that about 4% of this growth is attributable to price inflation.

Brooks Packaging's concentration mainly on large accounts made it an excellent fit for Kite and Brooks' large accounts were integrated into Kite's regional distribution centres best suited to the geographic location of those customers, while the smaller accounts were moved to Kite Packaging's internet operation. The Brooks' site in North London (which was not included in the acquisition transaction) was finally closed in January 2018.

Kite sees its employees as its key asset and the major differentiator from its competitors. We think of our employee costs as an expense to be leveraged rather than squeezed, and consequently it is pleasing to see that, despite above market salary reviews in 2017, the % employee costs: sales reduced to 14.6% (2016: 14.9%), reflecting gains in efficiency. Also, consistent with its employee-ownership ethos, Kite increased pension contributions for employees and as a result the average pension contribution per employee rose to £1,600 (2016: £1,356). Our employer + employee contribution rate is now 9% which means that Kite has already met the full Auto Enrolment minimum contribution rate which will be mandatory under the Pensions Act from 2019 onwards.

Operating profit, before goodwill amortisation, rose by £698k to £5.36m (2016: £4.66m). Going through the £5 million operating profit level is a significant milestone for Kite.

Unusually for Kite, KPGH had exceptional expenses totalling £385k in 2017 (2016: £110k). These are of a one-off nature and the significant items are:

- A strategic initiative reviewing and advising on Kite's brand positioning was undertaken by a leading international consultant (£128k). We are enthused by the outcome of this project and the benefit, whilst intangible, this will bring to Kite in the future.
- For the first time since the start of Kite in 2001, "free" shares were awarded in terms of our HMRC-approved Shareholder Incentive Plan to long-serving employees - 90,300 shares to 169 employees. The attributable cost of this award was £156k.
- Costs of £101k on the closure of the Brooks Packaging site.

Kite'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 6 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 standard range of packaging products to B2B customers (who are either pre-paid or credit account customers) via its website – [kitepackaging.co.uk](http://kitepackaging.co.uk) – and fulfils orders from its National Distribution Centre in Coventry. During 2017 the property facilities for the NDC and KOL fulfilment operations were significantly expanded. This state of the art pick, pack & dispatch operation came fully on stream in Q4 2017.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2017

#### KEY PERFORMANCE INDICATORS

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

- a) Sales and sales growth, both within its existing customer base as well as from new customers
- 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.

#### BALANCE SHEET & FUNDING

KPGH's consolidated balance sheet also underwent some big increases during 2017:

- Brooks Packaging was acquired at a cost of £4.1m, represented by cash of £1.9m, net assets of £0.4m and £1.8m of goodwill.
- The Group completed the redevelopment of the enlarged fulfilment centre for Kite-on-line at its freehold Coventry site at a cost of about £0.6m. As part of this development we also invested a further c.£1m in warehouse kit which is reflected in the steep increase in Plant & equipment and Fixtures & fittings shown in tangible fixed assets.
- Kite also upgraded all of its IT equipment and moved operationally-critical hardware and functions to a secure off-site data centre. Consequently capital expenditure on computer equipment of £347k is significantly higher than usual. This expenditure gives Kite the latest specification IT equipment to support the on-going growth of the business and also enhances our IT security. Pleasingly, Kite has just received the Government-backed *Cyber Essentials* accreditation.
- The impact of the input product price increases throughout 2017 on the Group's stock is clear with the stock value rising by 40% to £5.2m. This was expected, and our strong balance sheet has allowed us comfortably to make this investment to support our customer base, many of whom look to Kite Packaging to offer absolute security of supply to ensure the continuity of their business operations.
- Shareholders' Equity increased by 19.7% to £21.66m. This arose from the year's retained profits (after dividends) and a £0.9m gain on the revaluation of the Group's properties. Part of our Shareholders' Equity is represented by goodwill of £6.25m (2016: £5.13m) attributable to the acquisitions made in past years which has been amortised as is the mandated accounting treatment. In our opinion this flies in the face of the growing results arising from these acquisitions whereby, if anything, the goodwill is in reality increasing. Notwithstanding this treatment, KPGH's financial strength is probably the highest in the UK packaging distribution sector.

The Group remained highly cash-generative in 2017 and, even after significant capital expenditure and an acquisition (paid for in cash), the Group's borrowings remain negligible with invoice discount debt of £979k (2016: nil) largely offset by cash on hand of £848k (2016: £803k). The invoice finance facility of £4.5m remains virtually unused and therefore gives the Group a large amount of financial headroom.

The Group does have a medium term loan from Lloyds Bank of £5.12m (2016: £5.50m) which we see as being matched against our long term property assets of £13.75m (2016: £12.33m).

In 2017 Kite Packaging's regional distribution centre operations and Kite-on-line together with Kite's Compliance Division, all performed ahead of budget and well ahead of 2016 with all three activities producing record results. These reflect a terrific performance from the Kite team as a whole.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2017

#### DIVIDENDS

In 2017 a dividend of 4.50p per share (2016: 3.75p) was paid to shareholders at a cost of £762k (2016: £640k). It is interesting to note that after its start in mid-2001, Kite commenced dividend payments to shareholders in 2006 and to date has paid our employee-shareholders aggregate dividends of £7.8m.

The Directors recommend a final dividend of 5.25p per share in respect of 2017, payable in July 2018, subject to shareholder approval at the Annual General Meetings.

#### PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK	MITIGATING FACTOR
<u>Trade receivables</u> The Group has several large customers who at any time can each owe 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 due to exchange rate volatility.	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 needs 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 on a very cautious basis. In addition the Group has a committed, significant invoice discount 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 2017

### PRINCIPAL RISKS AND UNCERTAINTIES - continued

<p><b>Properties</b> 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 2 properties leased from 3<sup>rd</sup> party landlords. These 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 as well as the relevant insurance policies to mitigate these risks.</p> <p>Both 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. Kite expects to occupy its leased premises to the end of the relevant leases.</p>
<p><b>People</b> Kite operates with a decentralised, partnership model. Local decision making could result in the Group facing an unanticipated risk. 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. Kite ensures that its remuneration programme is in line with the market. Further its employee-ownership model acts as a major financial incentive for key personnel.</p>
<p><b>IT Systems</b> 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>During 2017 the Group upgraded all of its IT equipment to the latest specifications and also moved operationally critical hardware and functions to a secure off-site data centre, with a secondary back up site. All these critical IT functions are managed on a 24 hours basis. In addition the Group has a full suite of security applications for its IT systems and routinely undertakes penetration testing.</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.

### 5 YEAR STRATEGIC GROWTH INITIATIVE

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), are participants in this Scheme.

For the 4 years to the end of 2017, just over half of the business operations have met their V5 targets and, for Kite as a whole, the Group results to date indicate that the Group 5-year target is also likely to be achieved. The charge for the EMI Scheme in the year was £132k (2016: £88k) and is included as a normal expense in salaries.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### GROUP STRATEGIC REPORT for the year ended 31 December 2017

#### OUTLOOK

In Kite's regional distribution centre business operations demand is varied with UK export-manufacturers still appearing to show growth on the back of Sterling's weakness since the Brexit vote. Businesses in the internet-fulfilment sector are also growing strongly. Elsewhere demand is flat.

Kite's internet operation, Kite-on-line, continues to see good growth ahead.

The biggest issue facing Kite is the potential fall-out from the spate of price increases for corrugated products and there is no doubt that this could result in smaller competitors failing either because they have not passed these on (the scale of these increases has not made absorption possible on a sustained basis) or because they do not have the financial strength to fund the resultant big increase in stock values.

The Kite Group sees many opportunities in the UK packaging distribution market and it is important that we prioritise these so as to continue Kite's stellar growth whilst, in the interests of our employee-shareholders, continuing to maintain a low financial risk strategy. Overall the directors remain very confident about Kite's strategy and growth plans and therefore expect another good operating performance in 2018.

#### ON BEHALF OF THE BOARD:



Dr B.G. McInnes - Director

Date: 25 April 2018



## KITE PACKAGING GROUP HOLDINGS LIMITED

### REPORT OF THE DIRECTORS for the year ended 31 December 2017

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2017.

#### PRINCIPAL ACTIVITIES

The principal activities of the Group in the year under review were those of supplying packaging materials and related services.

#### DIVIDENDS

A final dividend of 4.5p per Ordinary share (all classes) was paid in July 2017.

#### FUTURE DEVELOPMENTS

Future developments have been detailed in the strategic report in accordance with s414C(11) CA 2006.

#### DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Dr B.G. McInnes  
L.W. Durham  
C.G. McInnes

#### 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.

#### 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:



Dr B.G. McInnes - Director

Date: 25 April 2018

## **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 2017 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).

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.

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 2017 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 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, 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.

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

**Opinion 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.

**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 six, 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.

**Our 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.



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: 25 April 2018

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2017**

	Notes	2017 £'000	2016 £'000
<b>TURNOVER</b>	4	65,654	54,740
Cost of sales		<u>49,173</u>	<u>40,233</u>
<b>GROSS PROFIT</b>		16,481	14,507
Administrative expenses		<u>11,901</u>	<u>10,446</u>
		4,580	4,061
Other operating income		<u>124</u>	<u>85</u>
<b>OPERATING PROFIT</b>	6	4,704	4,146
Exceptional items	7	<u>385</u>	<u>110</u>
		4,319	4,036
Interest receivable and similar income		<u>42</u>	<u>41</u>
		4,361	4,077
Interest payable and similar expenses	8	<u>135</u>	<u>135</u>
<b>PROFIT BEFORE TAXATION</b>		4,226	3,942
Tax on profit	9	<u>891</u>	<u>892</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>3,335</u></u>	<u><u>3,050</u></u>
Profit attributable to: Owners of the parent		<u><u>3,335</u></u>	<u><u>3,050</u></u>

The notes form part of these financial statements

**KITE PACKAGING GROUP HOLDINGS LIMITED**  
**CONSOLIDATED OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 December 2017**

Notes	2017 £'000	2016 £'000
<b>PROFIT FOR THE YEAR</b>	3,335	3,050
<b>OTHER COMPREHENSIVE INCOME</b>		
Revaluation of property	925	157
Income tax relating to other comprehensive income	<u>(40)</u>	<u>19</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<u>885</u>	<u>176</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>4,220</u></u>	<u><u>3,226</u></u>
Total comprehensive income attributable to: Owners of the parent	<u><u>4,220</u></u>	<u><u>3,226</u></u>

The notes form part of these financial statements

**CONSOLIDATED BALANCE SHEET**  
31 December 2017

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Intangible assets	12	6,256	5,132
Tangible assets	13	16,433	13,930
Investments	14	-	-
		<u>22,689</u>	<u>19,062</u>
<b>CURRENT ASSETS</b>			
Stocks	15	5,225	3,741
Debtors	16	12,323	9,894
Investments	17	192	1,001
Cash at bank and in hand		<u>851</u>	<u>807</u>
		18,591	15,443
<b>CREDITORS</b>			
Amounts falling due within one year	18	<u>14,634</u>	<u>11,115</u>
<b>NET CURRENT ASSETS</b>		<u>3,957</u>	<u>4,328</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,646	23,390
<b>CREDITORS</b>			
Amounts falling due after more than one year	19	(4,737)	(5,124)
<b>PROVISIONS FOR LIABILITIES</b>	24	<u>(242)</u>	<u>(189)</u>
<b>NET ASSETS</b>		<u>21,667</u>	<u>18,077</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	25	1,732	1,732
Share premium	26	4,581	4,581
Revaluation reserve	26	1,534	649
Capital redemption reserve	26	100	100
Retained earnings	26	<u>13,720</u>	<u>11,015</u>
<b>SHAREHOLDERS' EQUITY</b>		<u>21,667</u>	<u>18,077</u>

The financial statements were approved by the Board of Directors on 25 April 2018 and were signed on its behalf by:



Dr B.G. McInnes - Director

**COMPANY BALANCE SHEET**  
31 December 2017

	Notes	2017 £'000	2016 £'000	2016 £'000
<b>FIXED ASSETS</b>				
Intangible assets	12	-	-	-
Tangible assets	13	-	-	-
Investments	14	<u>20,227</u>	<u>20,545</u>	<u>20,545</u>
		20,227		20,545
<b>CURRENT ASSETS</b>				
Cash at bank		1	1	
<b>CREDITORS</b>				
Amounts falling due within one year	18	<u>426</u>	<u>419</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(425)</u>	<u>(418)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			19,802	20,127
<b>CREDITORS</b>				
Amounts falling due after more than one year	19	<u>7,108</u>	<u>8,095</u>	
<b>NET ASSETS</b>		<u>12,694</u>	<u>12,032</u>	
<b>CAPITAL AND RESERVES</b>				
Called up share capital	25	1,732	1,732	
Share premium	26	4,581	4,581	
Capital redemption reserve	26	100	100	
Retained earnings	26	<u>6,281</u>	<u>5,619</u>	
<b>SHAREHOLDERS' EQUITY</b>		<u>12,694</u>	<u>12,032</u>	
Company's profit for the financial year		<u>1,292</u>	<u>4,794</u>	

The financial statements were approved by the Board of Directors on 25 April 2018 and were signed on its behalf by:

  
Dr B.G. McInnes - Director

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2017**

	Called up share capital £'000	Share premium £'000	Revaluation reserve £'000
<b>Balance at 1 January 2016</b>	1,732	4,581	473
<b>Changes in equity</b>			
Dividends	-	-	-
Total comprehensive income	-	-	176
Options granted - share based payments	-	-	-
<b>Balance at 31 December 2016</b>	<u>1,732</u>	<u>4,581</u>	<u>649</u>
<b>Changes in equity</b>			
Dividends	-	-	-
Total comprehensive income	-	-	885
Options granted - share based payments	-	-	-
<b>Balance at 31 December 2017</b>	<u>1,732</u>	<u>4,581</u>	<u>1,534</u>
	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2016</b>	100	8,517	15,403
<b>Changes in equity</b>			
Dividends	-	(640)	(640)
Total comprehensive income	-	3,050	3,226
Options granted - share based payments	-	88	88
<b>Balance at 31 December 2016</b>	<u>100</u>	<u>11,015</u>	<u>18,077</u>
<b>Changes in equity</b>			
Dividends	-	(762)	(762)
Total comprehensive income	100	3,335	4,220
Options granted - share based payments	-	132	132
<b>Balance at 31 December 2017</b>	<u>100</u>	<u>13,720</u>	<u>21,667</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 2017**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2016</b>	1,732	4,581	100	1,377	7,790
<b>Changes in equity</b>					
Dividends	-	-	-	(640)	(640)
Total comprehensive income	-	-	-	4,794	4,794
Options granted - share based payments	-	-	-	88	88
<b>Balance at 31 December 2016</b>	<u>1,732</u>	<u>4,581</u>	<u>100</u>	<u>5,619</u>	<u>12,032</u>
<b>Changes in equity</b>					
Dividends	-	-	-	(762)	(762)
Total comprehensive income	-	-	-	1,292	1,292
Options granted - share based payments	-	-	-	132	132
<b>Balance at 31 December 2017</b>	<u>1,732</u>	<u>4,581</u>	<u>100</u>	<u>6,281</u>	<u>12,694</u>

The notes form part of these financial statements

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	4,603	4,782
Interest paid		(135)	(135)
Tax paid		<u>(852)</u>	<u>(669)</u>
Net cash from operating activities		<u>3,616</u>	<u>3,978</u>
 <b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(2,106)	(3,205)
Purchase of current asset investments		(391)	(1,394)
Sale of tangible fixed assets		24	12
Sale of current asset investments		1,287	445
Purchase of subsidiary		(4,145)	(1,201)
Cash acquired		1,887	233
Interest received		<u>42</u>	<u>41</u>
Net cash from investing activities		<u>(3,402)</u>	<u>(5,069)</u>
 <b>Cash flows from financing activities</b>			
New loans in year		-	5,800
Loan repayments in period		(387)	(3,572)
Receivables finance		979	(9)
Dividends paid		<u>(762)</u>	<u>(640)</u>
Net cash from financing activities		<u>(170)</u>	<u>1,579</u>
 <b>Increase in cash and cash equivalents</b>		<u>44</u>	<u>488</u>
<b>Cash and cash equivalents at beginning of year</b>	2	807	319
 <b>Cash and cash equivalents at end of year</b>	2	<u>851</u>	<u>807</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 2017

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

	2017	2016
	£'000	£'000
Profit before taxation	4,226	3,942
Depreciation charges	554	477
Profit on disposal of fixed assets	(23)	(3)
Amortisation	654	515
Share-based payment	132	88
Profit on sale of investments	(85)	(52)
Finance costs	135	135
Finance income	<u>(42)</u>	<u>(41)</u>
	5,551	5,061
(Increase)/decrease in stocks	(1,213)	38
Increase in trade and other debtors	(1,689)	(1)
Increase/(decrease) in trade and other creditors	<u>1,954</u>	<u>(316)</u>
<b>Cash generated from operations</b>	<u><b>4,603</b></u>	<u><b>4,782</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 2017**

	31.12.17	1.1.17
	£'000	£'000
Cash at bank and in hand	<u>851</u>	<u>807</u>

**Year ended 31 December 2016**

	31.12.16	1.1.16
	£'000	£'000
Cash at bank and in hand	<u>807</u>	<u>319</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 2017

#### 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 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 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 includes rental income, excluding value added tax. Rental income from operating leases (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

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.

##### **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 business in June 2016 solely relates to the customer base and is being amortised over 7 years.
- the acquisition of a business 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 are amortised over 3 years.

## KITE PACKAGING GROUP HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

#### 3. ACCOUNTING POLICIES - continued

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

Tangible fixed assets (except for freehold property) are recognised at cost and subsequently measured under the historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes any direct expenditure incurred to bring the asset to its current location and condition necessary for the asset to work as intended by management.

Freehold property is shown at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 December 2017. 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 statement of comprehensive income 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	- 20% - 33% on cost and 15% on reducing balance
Computer equipment	- 20% - 50% on cost

Any gains and losses on the disposal of tangible fixed assets are recognised in the statement of comprehensive income 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 maintaining 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 difference.

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 2017

### 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 profit or loss in the period in which they relate.

#### Current asset investments

Investments are Corporate Bonds and are measured at amortised cost.

#### 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 profit and loss account in administrative expenses.

#### Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase to shareholders' funds, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

#### Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### Investments in subsidiaries

Investment 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:

	2017 £'000	2016 £'000
Sales of goods	62,538	52,077
Compliance division fees and PRN sales	3,046	2,319
Rental income	70	344
	<u>65,654</u>	<u>54,740</u>

An analysis of turnover by geographical market is:

	2017 £'000	2016 £'000
United Kingdom	65,296	54,390
Europe	204	215
Rest of World	154	135
	<u>65,654</u>	<u>54,740</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**5. EMPLOYEES AND DIRECTORS**

	2017	2016
	£'000	£'000
Salaries	8,380	7,180
Social security costs	788	676
Pension costs	<u>392</u>	<u>316</u>
	<u>9,560</u>	<u>8,172</u>

Included in salaries is £132k (2016: £88k) in respect of equity-settled share-based payments related to the EMI plan. See note 29.

Key management personnel compensation in the year totalled £1,480k (2016 - £1,361k)

The average number of employees during the year was:

2017	2016
<u>245</u>	<u>233</u>

	2017	2016
	£	£
Directors' remuneration	<u>114,402</u>	<u>112,860</u>

**6. OPERATING PROFIT**

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

	2017	2016
	£'000	£'000
Depreciation - owned assets	554	477
Profit on disposal of fixed assets	(23)	(3)
Goodwill amortisation	652	512
Patents amortisation	2	3
Auditors' remuneration	7	6
Audit of accounts of subsidiary companies	11	15
Taxation compliance services	4	5
Other non- audit services	13	15
Operating leases - motor vehicles	87	134
Operating leases - property	<u>257</u>	<u>345</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

### 7. EXCEPTIONAL ITEMS

	2017 £'000	2016 £'000
Award of free SIP shares	156	-
Brand strategic review	128	-
Costs associated with subsidiary acquisition	101	25
Branch moving costs	-	85
	<u>385</u>	<u>110</u>

During the year, free shares held by the KPG Holdings Ltd S.I.P. Trust were awarded to qualifying employees through the HMRC-approved S.I.P. scheme. Kite Packaging Limited bore the cost of this share award.

During the year, Kite engaged a leading international brand consultant to strategically review and advise on Kite's brand positioning.

In 2017 the Group acquired BP Tradingco Limited, and its wholly-owned subsidiary Brooks Packaging Limited. Exceptional costs include expenditure in connection with the closure of the site.

In 2016 the Group acquired Phoenix Box (Rushden) Limited, and its wholly-owned subsidiary Phoenix Box Limited. Exceptional costs include expenditure in connection with the closure of the site.

In 2016 the Group vacated its leased premises in Harlow and moved operations to a long leasehold property in Letchworth which had been purchased by the Group. The exceptional item is the cost in relation to this relocation.

### 8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £'000	2016 £'000
Bank interest	2	-
Receivables finance interest	22	14
Mortgage interest	-	9
Loan	<u>111</u>	<u>112</u>
	<u>135</u>	<u>135</u>



KITE PACKAGING GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2017

9. TAXATION

**Analysis of the tax charge**

The tax charge on the profit for the year was:

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	916	907
Prior year adjustment	<u>(32)</u>	<u>41</u>
Total current tax	<u>884</u>	<u>948</u>
Deferred tax:		
Current year charge	3	(17)
Prior year adjustment	<u>4</u>	<u>(39)</u>
Total deferred tax	<u>7</u>	<u>(56)</u>
Tax on profit	<u>891</u>	<u>892</u>

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

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

	2017 £'000	2016 £'000
Profit before tax	<u>4,226</u>	<u>3,942</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.246% (2016 - 20%)	813	788
Effects of:		
Expenses not deductible for tax purposes	12	8
Unutilised losses carried forward	-	12
Goodwill amortisation disallowed	116	88
Prior year adjustment	(28)	2
Change in tax rates	(3)	(6)
R&D Enhancement	<u>(19)</u>	<u>-</u>
Total tax charge	<u>891</u>	<u>892</u>

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

	2017		
	Gross £'000	Tax £'000	Net £'000
Revaluation of property	<u>925</u>	<u>(40)</u>	<u>885</u>
	2016		
	Gross £'000	Tax £'000	Net £'000
Revaluation of property	<u>157</u>	<u>19</u>	<u>176</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**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**

	2017 £'000	2016 £'000
Final dividends on Ordinary shares		
2015 - 3.75p per share	-	640
2016 - 4.50p per share	<u>762</u>	<u>-</u>
	<u><u>762</u></u>	<u><u>640</u></u>

**12. INTANGIBLE FIXED ASSETS**

**Group**

	Goodwill £'000	Patents £'000	Totals £'000
<b>COST</b>			
At 1 January 2017	8,969	11	8,980
Additions	<u>1,778</u>	<u>-</u>	<u>1,778</u>
At 31 December 2017	<u>10,747</u>	<u>11</u>	<u>10,758</u>
<b>AMORTISATION</b>			
At 1 January 2017	3,841	7	3,848
Amortisation for year	<u>652</u>	<u>2</u>	<u>654</u>
At 31 December 2017	<u>4,493</u>	<u>9</u>	<u>4,502</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>6,254</u>	<u>2</u>	<u>6,256</u>
At 31 December 2016	<u>5,128</u>	<u>4</u>	<u>5,132</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**13. TANGIBLE FIXED ASSETS**

**Group**

	Freehold property £'000	Long leasehold £'000	Plant and machinery £'000
<b>COST OR VALUATION</b>			
At 1 January 2017	9,825	2,500	703
Additions	483	16	533
Disposals	-	-	(108)
Revaluations	792	134	-
Acquired	-	-	5
At 31 December 2017	<u>11,100</u>	<u>2,650</u>	<u>1,133</u>
<b>DEPRECIATION</b>			
At 1 January 2017	-	-	390
Charge for year	-	-	133
Eliminated on disposal	-	-	(107)
Acquired	-	-	2
At 31 December 2017	<u>-</u>	<u>-</u>	<u>418</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>11,100</u>	<u>2,650</u>	<u>715</u>
At 31 December 2016	<u>9,825</u>	<u>2,500</u>	<u>313</u>

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST OR VALUATION</b>				
At 1 January 2017	1,133	1,216	941	16,318
Additions	465	262	347	2,106
Disposals	(12)	(78)	(11)	(209)
Revaluations	-	-	-	926
Acquired	61	82	-	148
At 31 December 2017	<u>1,647</u>	<u>1,482</u>	<u>1,277</u>	<u>19,289</u>
<b>DEPRECIATION</b>				
At 1 January 2017	544	763	691	2,388
Charge for year	143	136	142	554
Eliminated on disposal	(12)	(78)	(11)	(208)
Acquired	61	59	-	122
At 31 December 2017	<u>736</u>	<u>880</u>	<u>822</u>	<u>2,856</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>911</u>	<u>602</u>	<u>455</u>	<u>16,433</u>
At 31 December 2016	<u>589</u>	<u>453</u>	<u>250</u>	<u>13,930</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**13. TANGIBLE FIXED ASSETS - continued**

**Group**

Cost or valuation at 31 December 2017 is represented by:

	Freehold property £'000	Long leasehold £'000	Plant and machinery £'000
Cost	9,518	2,556	1,133
Valuation uplift in 2015	593	-	-
Valuation uplift in 2016	197	-	-
Valuation decrease in 2016	-	(40)	-
Valuation uplift in 2017	<u>792</u>	<u>134</u>	<u>-</u>
	<u>11,100</u>	<u>2,650</u>	<u>1,133</u>

  

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
Cost	1,647	1,482	1,277	17,613
Valuation uplift in 2015	-	-	-	593
Valuation uplift in 2016	-	-	-	197
Valuation decrease in 2016	-	-	-	(40)
Valuation uplift in 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>926</u>
	<u>1,647</u>	<u>1,482</u>	<u>1,277</u>	<u>19,289</u>

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	2017 £'000	2016 £'000
Cost	<u>12,074</u>	<u>11,386</u>

Freehold land and buildings were valued on a fair value basis at 31 December 2017 by BNP Paribas Real Estate.

**14. FIXED ASSET INVESTMENTS**

	<b>Company</b>	
	2017 £'000	2016 £'000
Shares in Group undertakings	10,527	10,395
Loans to Group undertakings	<u>9,700</u>	<u>10,150</u>
	<u>20,277</u>	<u>20,545</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

### 14. FIXED ASSET INVESTMENTS – continued

Additional information is as follows:

#### Company

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2017	10,395
Additions	<u>132</u>
At 31 December 2017	<u>10,527</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>10,527</u>
At 31 December 2016	<u>10,395</u>

#### Company

	Loans to group undertakings £'000
At 1 January 2017	10,150
New in year	500
Repayment in year	<u>(950)</u>
At 31 December 2017	<u>9,700</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	Investment company

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 regulation compliance scheme
Paperpak Limited	Packaging regulation compliance scheme
KPF Properties Limited	Dormant (dissolved 20 March 2018)
Kite Consulting Limited	Dormant

Kite Packaging Limited holds 100% of the issued share capital of Phoenix Box (Rushden) Limited, together with its wholly-owned subsidiary Phoenix Box Limited. Both companies have now ceased trading following the transfer of trade to Kite Packaging Limited.

Kite Packaging Limited holds 100% of the issued share capital of BP Tradingco Limited, together with its wholly-owned subsidiary Brooks Packaging Limited. Both companies ceased trading following the transfer of trade to Kite Packaging Limited.

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**14. FIXED ASSET INVESTMENTS - continued**

**Acquisition of subsidiary**

On 1 July 2017 the Group acquired BP Tradingco Limited for a consideration, including acquisition costs, of £4,145,000 satisfied in cash.

Net assets at date of acquisition:

	£'000
Tangible fixed assets	30
Stocks	271
Debtors	740
Cash	1,887
Creditors	<u>(562)</u>
Net assets	2,366
Goodwill arising on acquisition	<u>1,779</u>
Consideration and acquisition costs	<u><u>4,145</u></u>

**15. STOCKS**

	<b>Group</b>	
	2017	2016
	£'000	£'000
Goods for resale	<u>5,225</u>	<u>3,741</u>

The directors have not disclosed the value of stock recognised in purchases as they consider this to be commercially sensitive.

An impairment loss of £30k (2016: £58k) was recognised in purchases during the year attributable to slow-moving and obsolete stock.

**16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>	
	2017	2016
	£'000	£'000
Trade debtors	11,370	8,870
Other debtors	529	281
Prepayments	<u>424</u>	<u>743</u>
	<u><u>12,323</u></u>	<u><u>9,894</u></u>

**17. CURRENT ASSET INVESTMENTS**

	<b>Group</b>	
	2017	2016
	£'000	£'000
Corporate bonds	<u>192</u>	<u>1,001</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

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

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans (see note 20)	387	387	387	387
Trade creditors	10,705	8,237	-	-
Receivables finance	979	-	-	-
Tax	592	494	18	11
Social security and other taxes	805	727	-	-
Other creditors	435	639	13	21
Accrued expenses	<u>731</u>	<u>631</u>	<u>8</u>	<u>-</u>
	<u>14,634</u>	<u>11,115</u>	<u>426</u>	<u>419</u>

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

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank loans (see note 20)	4,737	5,124	4,737	5,124
Amounts owed to group undertakings	<u>-</u>	<u>-</u>	<u>2,371</u>	<u>2,971</u>
	<u>4,737</u>	<u>5,124</u>	<u>7,108</u>	<u>8,095</u>

**20. LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'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>387</u>	<u>387</u>	<u>387</u>	<u>387</u>
Amounts falling due between two and five years:				
Bank loans	<u>4,350</u>	<u>4,737</u>	<u>4,350</u>	<u>4,737</u>

Bank loans:

- Repayable by quarterly instalments ending with a balancing payment in February 2021. Interest is charged at 1.75% above base rate.

	2017	2016
	£'000	£'000
	<u>5,124</u>	<u>5,511</u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**21. LEASING AGREEMENTS**

Minimum lease payments fall due:

**Group**

	<b>Non-cancellable operating leases</b>	
	2017	2016
	£'000	£'000
Within one year	299	324
Between one and five years	1,032	1,059
In more than five years	<u>383</u>	<u>635</u>
	<u><u>1,714</u></u>	<u><u>2,018</u></u>

**22. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>	
	2017	2016
	£'000	£'000
Bank loans	5,124	5,511
Receivables finance	<u>979</u>	<u>-</u>
	<u><u>6,103</u></u>	<u><u>5,511</u></u>

The bank loan from Lloyds Bank is 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 also entered into an all asset debenture in favour of Lloyds Bank.

**23. FINANCIAL INSTRUMENTS**

	<b>Group</b>	
	2017	2016
	£'000	£'000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u><u>12,091</u></u>	<u><u>10,152</u></u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u><u>17,243</u></u>	<u><u>14,387</u></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.



**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**24. PROVISIONS FOR LIABILITIES**

	<b>Group</b>	
	2017	2016
	£'000	£'000
Deferred tax		
Accelerated capital allowances	195	154
Short term timing differences	(28)	(22)
Short term timing difference -		
Share-based payments	(67)	(45)
Revaluation gains	<u>142</u>	<u>102</u>
	<u><u>242</u></u>	<u><u>189</u></u>

**Group**

	Deferred tax £'000
Balance at 1 January 2017	189
Credit to Income Statement during year	13
Credit to other comprehensive income	<u>40</u>
Balance at 31 December 2017	<u><u>242</u></u>

**25. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2017	2016
Number:	Class:	Nominal value:	£'000	£'000
16,133,656	A Ordinary	10p	1,613	1,605
(2016 - 16,052,156)				
1,189,204	P Ordinary	10p	119	127
(2016 - 1,270,704)				
			<u>1,732</u>	<u>1,732</u>

**26. RESERVES**

**Group**

	Share premium £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Totals £'000
At 1 January 2017	4,581	649	100	11,015	16,345
Profit for the year	-	-	-	3,335	3,335
Dividends	-	-	-	(762)	(762)
Net revaluation gain	-	885	-	-	885
Options granted - share based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>132</u>	<u>132</u>
At 31 December 2017	<u><u>4,581</u></u>	<u><u>1,534</u></u>	<u><u>100</u></u>	<u><u>13,720</u></u>	<u><u>19,935</u></u>

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2017

**26. RESERVES - continued**

**Company**

	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Totals £'000
At 1 January 2017	4,581	100	5,619	10,300
Profit for the year	-	-	1,292	1,292
Dividends	-	-	(762)	(762)
Options granted - share based payments	-	-	132	132
At 31 December 2017	<u>4,581</u>	<u>100</u>	<u>6,281</u>	<u>10,962</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.

**27. CAPITAL COMMITMENTS**

	2017 £'000	2016 £'000
Contracted but not provided for in the financial statements	<u>81</u>	<u>140</u>

# KITE PACKAGING GROUP HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

### 28. 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. 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 vest as a result of targets being met may be exercised by the holders during the exercise window. All options are to be settled by the physical delivery of shares against payment therefor. The key terms and conditions related to the grants under the Scheme are as follows:

Date of grant	<u>16 December 2013</u>	<u>21 August 2015</u>
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 has been 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</b>	<b>2015</b>
	<b>options</b>	<b>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 has been 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 2016	1,660,000
Options granted in the year	-
Exercised in the year	-
Forfeited in the year	<u>(150,000)</u>
At 31 December 2017	<u>1,510,000</u>

#### 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 the Employees and Directors note 5.

**KITE PACKAGING GROUP HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2017**

**29. KPG HOLDINGS LIMITED S.I.P. 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 KPG Holdings Limited S.I.P. Trust, as are any unallocated shares.

Shares held in KPG Holdings Limited S.I.P. Trust	2017 shares	2016 shares
- shares held on behalf of employees	1,162,952	1,187,917
- unallocated shares	<u>425,501</u>	<u>333,597</u>
	<u>1,588,453</u>	<u>1,521,514</u>