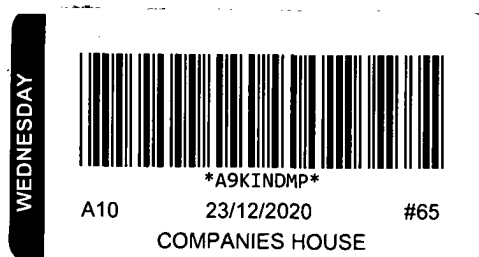


**RIVENDELL EUROPE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



## **RIVENDELL EUROPE LIMITED**

### **COMPANY INFORMATION**

**Directors**

J Pallas  
D Patterson  
A Joy  
J Mcauley

**Registered number**

03374815 (England and Wales)

**Registered office**

Holland Place  
Wardentree Park  
Pinchbeck  
Spalding  
Lincolnshire  
PE11 3ZN

**Independent auditor**

BDO LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

**Bankers**

Barclays Bank plc  
Sixth Floor  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GN

Bank Mendes Gans  
Herengracht 619  
1017CE Amsterdam  
Netherlands

# **RIVENDELL EUROPE LIMITED**

## **CONTENTS**

	<b>Page</b>
<b>Strategic report</b>	<b>1 - 3</b>
<b>Directors' report</b>	<b>4 - 5</b>
<b>Independent auditor report</b>	<b>6 - 8</b>
<b>Income statement</b>	<b>9</b>
<b>Balance sheet</b>	<b>10</b>
<b>Statement of changes in equity</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12 - 33</b>

## **RIVENDELL EUROPE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Introduction**

The directors present their strategic report for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of Rivendell Europe Limited (the "company") is the supply of pre media services to packaging, retail and home shopping markets.

#### **Business review and future developments**

The company's turnover for the year ended 31 December 2019 increased to £11.0m (2018: £9.3m) which was due to a further increase in the sale of plates produced on behalf of other members of the Coveris UK group. Gross margins have risen to 21.3% (2018: 19.3%) due to increased turnover and a change in the sales mix. During the year the company also secured a contract to manage artwork projects with certain third party providers on behalf of a retail customer, in addition to delivering its own design services. Under this contract the company does not control the goods or services supplied by third parties therefore revenue in respect of project management services are recognised on a net basis.

The above has resulted in the company reporting an operating profit for the year of £1.0m (2018: of £0.7m).

As the company becomes increasingly integrated within the Coveris UK group the directors expect the company's turnover in plate sales to grow, whilst home shopping turnover is likely to fall as customers move to digital online solutions.

#### **Post balance sheet events and going concern**

Since the start of 2020, the onset of the COVID-19 pandemic has occurred. This is considered a non-adjusting post balance sheet event, and therefore no impact on the carrying value of assets at the balance sheet date is noted.

Due to this situation the business is starting to see a slowdown in sales, particularly from home shopping categories as this business is seen to be non-essential. Rivendell have taken the decision to take advantage of the government's job retention furlough scheme for a number of employees until business returns to normal. Despite the impact of the pandemic Rivendell's current forecast sales remain relatively strong and operating profit positive. Cashflow is being conserved, in particular the company has taken advantage of the VAT deferral scheme whereby VAT payments that were due to HMRC between March and June 2020 will not now be paid to HMRC until the first quarter of 2021.

Although the situation presents a lack of clarity on when trading might return to pre-COVID-19 levels which, as with many other businesses, has complicated the company's longer-term forecasting abilities, the directors remain positive about the future prospects of the company during this period. While the directors assess that the going concern assumption remains appropriate, there is uncertainty in the macroeconomic and health impacts of the current COVID-19 situation over the coming months. The directors have considered realistic assumptions in their review and assessment, covering a period of at least 12 months from the date of approval of these financial statements, and with the global economic outlook uncertain these assumptions and decisions will continue to evolve.

After assessing key factors such as liquidity, revenue and profitability impact and financing as well as considering appropriate sensitivities on these measures it is the opinion of the directors that the business will continue as a going concern.

Clearly, should the situation be worse than currently anticipated by the directors, including future repeated periods of lockdown and prolonged reduction in demand or an outbreak occurring within the company's facilities, further actions may be required including the need to consider and seek further funding through lenders or other group companies, who remain supportive of the business.

## **RIVENDELL EUROPE LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

Since the onset of the global pandemic the Coveris group has continued to trade strongly with EBITDA ahead of budget and prior year and adequate liquidity headroom, however, as a result of the current uncertainty in respect of the COVID-19 global pandemic and the potential impact of these events or conditions on the going concern assumption of the company, the directors consider that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

#### **The principal risks and uncertainties**

The principal and financial risks and uncertainties are managed on a Coveris UK group wide basis. The management of the business and the execution of the group's strategy are subject to a number of principal risks and uncertainties, the most significant being customer relationship/demand management.

Maintaining good working relationships with customers is of paramount importance to the group, therefore being able to predict customer demand and responding to customer requests is key to achieving this. The group utilises its own experience to forecast customer demand and also regularly meets with key customers to identify any changes in demand.

The company is reliant upon key staff and also utilising the latest technology to deliver bespoke solutions to our clients. The board regularly reviews its staffing levels, incentive packages and capital investment programme to ensure that the company has sufficient quality staff and the right equipment to meet our customers' changing needs.

#### **Financial risk management**

Due to being part of the Coveris group, the financial risk management of the company is managed on a group wide basis by the Coveris S.A. central finance team. The financial risk management risks and policies are disclosed in the consolidated financial statements of Coveris S.A. The elements which are controlled by the company are disclosed below:

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash balances and intercompany balances (including cash pool balances). Interest bearing liabilities comprise bank overdrafts, lease liabilities and intercompany loans. The cash assets and cash pool balances are subject to interest rate fluctuations as are the bank overdraft liabilities. The UK group intercompany loan assets and liabilities are free from interest. The group reviews its interest rate policy on a regular basis.

The company is exposed to liquidity risk. The company has committed financing through its parent undertakings and the group finance team regularly monitor available cash balances and available facilities to ensure that the group has sufficient funds to meet its obligations.

The company is exposed to credit risk as a result of its operations. Prior to sales being made appropriate checks are performed over the ability of the customer to pay. Regular reviews of credit limits and monitoring of the aged debtors ledger are utilised to minimise the risk to the group on an ongoing basis. Credit insurance is also utilised to further mitigate the risk of loss to the group.

#### **Key performance indicators ("KPI's")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using non financial KPI's, other than that included within the review of business, is not necessary for an understanding of the development, performance or position of the business.

**RIVENDELL EUROPE LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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



**A Joy**  
Director

20<sup>th</sup> October 2020

## **RIVENDELL EUROPE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Dividends**

No dividends were declared or paid during the year (2018: £nil).

#### **Directors**

The directors who served during the year and up to the date of approval of these financial statements, unless otherwise stated, were:

J Pallas  
J Mcauley (appointed 20 February 2019)  
A Joy (appointed 4 March 2019)  
D Patterson (appointed 25 April 2019)  
B Collins (resigned 8 February 2019)  
G E Rehwinkel (resigned 17 June 2019)

#### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**RIVENDELL EUROPE LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Matters covered in the strategic report**

The principal activity, future outlook, review of business and principal risks and uncertainties (including financial risk management) are disclosed within the strategic report.

**Auditor**

BDO LLP were appointed as new auditors in the year by the directors, in accordance with section 485 of the Companies Act 2006.

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



**A Joy**  
Director

20<sup>th</sup> October 2020



## **RIVENDELL EUROPE LIMITED**

### **INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF RIVENDELL EUROPE LIMITED**

#### **Opinion**

We have audited the financial statements of Rivendell Europe Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to the disclosures in note 2.3 to the financial statements, which indicates the current uncertainty in respect of the COVID-19 global pandemic and the potential impact of this on the going concern assumption of the company. As stated in note 2.3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **RIVENDELL EUROPE LIMITED**

### **INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF RIVENDELL EUROPE LIMITED**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

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

#### **Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor report.

**RIVENDELL EUROPE LIMITED**

**INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF RIVENDELL EUROPE LIMITED**

**Use of our report**

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

*BDO LLP*

Mark Langford (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Leeds, UK

20 October 2020

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

**RIVENDELL EUROPE LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 £000</b>	<b>Restated 2018 £000</b>
<b>Turnover</b>	<b>3</b>	<b>10,987</b>	<b>9,253</b>
<b>Cost of sales</b>		<b>(8,643)</b>	<b>(7,468)</b>
<b>Gross profit</b>		<b>2,344</b>	<b>1,785</b>
<b>Administrative expenses</b>		<b>(1,320)</b>	<b>(1,132)</b>
<b>Operating profit</b>	<b>5</b>	<b>1,024</b>	<b>653</b>
<b>Interest payable and similar expenses</b>	<b>7</b>	<b>(59)</b>	<b>(5)</b>
<b>Profit before tax</b>		<b>965</b>	<b>648</b>
<b>Tax credit on profit</b>	<b>8</b>	<b>16</b>	<b>27</b>
<b>Profit for the financial year</b>		<b>981</b>	<b>675</b>

There was no other comprehensive income for 2019 or 2018.

All operations relate to continuing activities.

The notes on pages 12 to 33 form part of these financial statements.

**RIVENDELL EUROPE LIMITED**  
**REGISTERED NUMBER:03374815**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	Restated 2018 £000
<b>Fixed assets</b>			
Tangible Fixed Assets	9	2,262	985
Deferred Taxation	15	18	2
		<u>2,280</u>	<u>987</u>
<b>Current assets</b>			
Stocks	10	298	208
Debtors	11	2,717	1,583
Cash at bank		-	754
		<u>3,015</u>	<u>2,545</u>
Creditors: amounts falling due within one year	12	(1,732)	(2,124)
<b>Net current assets</b>		<u>1,283</u>	<u>421</u>
<b>Total assets less current liabilities</b>		<u>3,563</u>	<u>1,408</u>
Creditors: amounts falling due after more than one year	13	(1,084)	-
<b>Provisions for liabilities</b>			
Other provisions	16	(90)	-
<b>Net assets</b>		<u><u>2,389</u></u>	<u><u>1,408</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	41	41
Share premium account		9	9
Capital redemption reserve		221	221
Retained earnings		<u>2,118</u>	<u>1,137</u>
		<u><u>2,389</u></u>	<u><u>1,408</u></u>

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



**A Joy**  
Director

20<sup>th</sup> October 2020

The notes on pages 12 to 33 form part of these financial statements.

**RIVENDELL EUROPE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained (deficit)/ earnings £000	Total equity £000
<b>At 1 January 2018</b>	41	9	221	(410)	(139)
Total comprehensive income	-	-	-	675	675
Capital contribution - waiver of intercompany loans (note 6)	-	-	-	872	872
<b>At 1 January 2019</b>	41	9	221	1,137	1,408
Total comprehensive income	-	-	-	981	981
<b>At 31 December 2019</b>	41	9	221	2,118	2,389

The notes on pages 12 to 33 form part of these financial statements.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1. Statutory information**

Rivendell Europe Limited (the "company") supplies pre-media services to packaging, retail and home shopping markets. The company is limited by shares and is incorporated in England. The address of its registered office is Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, PE11 3ZN.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements are prepared in Sterling (£) which is the functional currency of the company. The financial statements are for the year ended 31 December 2019 (2018: year ended 31 December 2018).

The financial statements have been prepared in £000's unless otherwise stated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies.

The following principal accounting policies have been applied:

##### **2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.3 Going concern**

The directors have considered events post year end, including the COVID-19 pandemic and its impact on the business. Whilst sales post year end have been, and continue to be, impacted in the home shopping sector the overall profitability of the business remains strong. The business has used Government support schemes such as furloughing employees and deferring VAT payments in order to maximise cash reserves at this uncertain time.

Looking forward the biggest risk is a second wave and its impact on the business, however even in scenario planning for a complete site closure in each business unit across the Coveris group and the impact this would have on our cashflows the availability of financing and liquidity was sufficient and included adequate headroom.

Although the situation presents a lack of clarity on when trading might return to pre-COVID-19 levels which, as with many other businesses, has complicated the company's longer-term forecasting abilities, the directors remain positive about the future prospects of the company during this period. While the directors assess that the going concern assumption remains appropriate, there is uncertainty in the macroeconomic and health impacts of the current COVID-19 situation over the coming months. The directors have considered realistic assumptions in their review and assessment, covering a period of at least 12 months from the date of approval of these financial statements and with the global economic outlook uncertain these assumptions and decisions will continue to evolve.

Clearly, should the situation be worse than currently anticipated by the directors, including future repeated periods of lockdown and prolonged reduction in demand or an outbreak occurring within the company's facilities, further actions may be required including the need to consider and seek further funding through lenders or other group companies, who remain supportive of the business.

Since the onset of the global pandemic the Coveris group has continued to trade strongly with EBITDA ahead of budget and prior year and adequate liquidity headroom, however, as a result of the current uncertainty in respect of the COVID-19 global pandemic and the potential impact of these events or conditions on the going concern assumption of the company, the directors consider that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the ordinary course of business. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.



## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.4 Impact of new international reporting standards, amendments and interpretations**

###### **IFRS 16**

The company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 and therefore without restatement of comparative figures.

On transition to IFRS 16, the company elected to apply the following practical expedients:

- the company has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether these are a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 1 January 2019.

For leases previously classified as operating leases under IAS 17:

- the company has applied a single discount rate to a portfolio of leases with similar characteristics.
- the company has adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review.
- the company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.
- the company has excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- the company has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- the company has elected not to apply the requirements to leases with a term less than 12 months, or to leases for which the underlying asset is of low value.

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 2. Accounting policies (continued)

The following tables summarise the impacts of adopting new reporting standards on the company's financial statements.

#### Balance sheet (extract)

	31 December 2018 As restated £000	IFRS 16 £000	1 January 2019 Adjusted balance £000
<b>Fixed assets</b>			
Tangible assets	985	1,554	2,539
Deferred taxation asset	2	-	2
	<u>987</u>	<u>1,554</u>	<u>2,541</u>
<b>Current assets</b>			
Stocks	208	-	208
Debtors	1,583	-	1,583
Cash at bank and in hand	754	-	754
<b>Total current assets</b>	<u>2,545</u>	<u>-</u>	<u>2,545</u>
Creditors: amounts falling due within one year	(2,124)	(184)	(2,308)
<b>Total assets less current liabilities</b>	<u>1,408</u>	<u>1,370</u>	<u>2,778</u>
Creditors: amounts falling due after more than one year	-	(1,280)	(1,280)
Other provisions	-	(90)	(90)
	<u>1,408</u>	<u>-</u>	<u>1,408</u>
<b>Net assets</b>	<u><u>1,408</u></u>	<u><u>-</u></u>	<u><u>1,408</u></u>
<b>Capital and reserves</b>			
Called up share capital	41	-	41
Share premium account	9	-	9
Capital redemption reserve	221	-	221
Retained earnings	1,137	-	1,137
	<u>1,408</u>	<u>-</u>	<u>1,408</u>

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.5 Turnover**

Turnover within the company is generally recognised at a point in time, upon acceptance of the product or service by the customer. This typically occurs when the product is delivered to the customer or where the design is accepted by the customer.

There are however a small number of significant contracts within the company that are recognised over time. These involve the customer receiving services over a period of time, with the associated revenue deferred on the balance sheet and recognised at the point at which the performance obligations are satisfied.

The company is also required to arrange for certain third party providers to deliver goods and services on behalf of a customer under the terms of the contract. The company does not control the goods or services before they are transferred to the customer and has no rights or obligations over them. The company therefore recognises revenue from this element of the customer contract under an agency arrangement, showing the net revenue receivable.

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

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

Plant and machinery	- 10% on cost
Fixtures and fittings	- 20% to 33% on cost
Motor vehicles	- 25% on cost

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required they are made retrospectively.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.7 Financial instruments**

###### **Financial assets**

###### **Initial recognition and measurement**

Financial assets are classified as financial assets at fair value through profit or loss, or amortised cost. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company's financial assets include cash and short-term deposits, trade and other receivables and amounts due from group undertakings.

###### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

###### **Fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being fair value through profit or loss.

###### **Amortised cost**

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **Financial liabilities**

##### **Initial recognition and measurement**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Financial liabilities consist of trade and other payables, amounts due to group undertakings, lease liabilities and bank borrowings.

Financial liabilities are classified at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

##### **Fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

##### **Amortised cost**

Other financial liabilities at amortised cost are recognised when the company becomes party to the related contract, and are initially recognised at fair value net of any transactions costs directly attributable to the issue of the instrument.

Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability.

##### **Derecognition of financial liabilities**

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### **2.8 Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.9 Cash**

IAS7 defines cash and cash equivalents as comprising of cash in hand and demand deposits. The term demand deposit refers to deposits where the company can withdraw cash without giving any notice or suffering any penalty.

The company benefits from having access to a Group wide cash pooling facility which is controlled by the ultimate parent company. Although the accounts are held and managed locally, the substance of the arrangement is that of an intercompany balance due to the requirement to request authority and give notice of the companies' intended use to the parent company. The nature of this facility therefore does not satisfy the definition of cash and cash equivalents and has instead been presented within amounts due to/from group undertakings.

##### **2.10 Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

##### **2.11 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.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **2.12 Employee benefit costs**

The company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

##### **2.13 Judgement and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

###### **Impairment of assets - estimate**

The future recoverability of assets (being work in progress, debtors and tangible fixed assets) requires the use of judgement as it requires management to make estimates and judgements in relation to future cash flows. These estimates could be impacted by events and circumstances outside of the control of management, for example a deterioration in the financial health of a major customer or significant deterioration in the UK economy as a whole. In making their assessment management have utilised the latest financial performance budgets.

###### **Useful economic lives of tangible fixed assets and residual values - estimate**

The tangible fixed assets are depreciated over their useful economic lives to their expected residual value. A change in technology or other such events could have an impact on both. Each year the assets are reviewed and their useful economic lives and residual values are adjusted, as and when required.

###### **Revenue recognition - Agent vs Principal judgement**

When a third party is involved in providing goods or services to a customer, IFRS15 requires the company to determine whether it has a performance obligation to:

- Provide the specified goods or services itself (principal); or
- Arrange for a third party to provide those goods or services (agent).

The directors have considered the relevant criteria in line with the specifics of certain contracts and concluded that the company is acting as an Agent. The nature of the promise is to specifically arrange for services to be completed on behalf of the customer, to which the company does not have primary responsibility to complete the services requested, nor does it bear the risk of payment for these services. As such, associated revenue is recorded on a net basis and corresponding assets and liabilities with third party providers are not recognised in relation to this part of the contract.

###### **Carrying value of stocks - estimate**

Management review the market value of and demand for stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **2. Accounting policies (continued)**

##### **Lease - judgement and estimate**

On application of IFRS 16 the directors have to exercise judgement as to the measurement of the lease term, considering the likelihood of exercising extension or termination clauses in contracts. Furthermore there are estimates inherent within the calculation of the lease liability and right of use asset, including most significantly the discount rate applied to the contractual cash flows.

##### **2.14 Leases**

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2.4. The following policies apply subsequent to the date of initial application, 1 January 2019.

##### **Identifying Leases**

The company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The company obtains substantially all the economic benefits from use of the asset; and
- (c) The company has the right to direct use of the asset.

The company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the company obtains substantially all the economic benefits from use of the asset, the company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the company has the right to direct use of the asset, the company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

##### **Lease Measurement**

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.



## RIVENDELL EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 2. Accounting policies (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Where service charges are in substance fixed payments they are included in the measurement of the lease; where they are not they are expensed as incurred.
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 16).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. Turnover

The whole of the turnover is attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below.

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	10,975	9,117
Europe	12	136
	<u>10,987</u>	<u>9,253</u>

### 4. Employees

	2019 £000	2018 £000
Wages and salaries	6,177	4,188
Social security costs	595	410
Cost of defined contribution scheme	243	164
	<u>7,015</u>	<u>4,762</u>

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

	2019 No.	Restated 2018 No.
Directors	4	3
Production	176	140
Administration	14	7
	<u>194</u>	<u>150</u>

Included within payroll costs above are costs of £1,244,430 (2018 - £nil) which are recharged to other group companies at cost and therefore presented net within cost of sales and administrative expenses during the period.

Management have taken the decision to recategorise some employees between Production and Administration. The average numbers have not changed in total.

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### Directors' remuneration

Included within the wages and salaries note above are directors emoluments. Some directors are paid by other group companies with no direct recharge of these costs. Those paid directly by the company are presented below.

	2019 £000	2018 £000
Directors' remuneration	148	109
Cost of defined contribution pension scheme	12	9
	<u>160</u>	<u>118</u>

### 5. Operating profit

The profit before taxation is stated after charging:

	2019 £000	2018 £000
Cost of inventories recognised as expense	1,425	1,859
Depreciation	227	153
Depreciation - right-of-use assets	213	-
Auditors remuneration	10	10
Operating leases - property	-	265
Operating leases - low value and short term lease	34	151
Foreign exchange losses	4	1
	<u>1,903</u>	<u>2,439</u>

An amount of £45,000, which was previously shown within the 2018 financial statements as exceptional administrative expenses, has now been included within administrative expenses in the comparative figures in the Income statement.

### 6. Loan waivers

	2019 £000	2018 £000
Loan waivers granted	-	311
Loan waivers received	-	(1,183)
	<u>-</u>	<u>(872)</u>

During 2018, the company restructured its group structure following a refinancing exercise. This resulted in net loan waivers received from group companies of £872,000. As these transactions were with related parties they have been recognised directly in reserves.

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 7. Interest payable and similar expenses

	2019 £000	2018 £000
Other interest payable	10	-
Interest on lease liabilities	49	5
	<u>59</u>	<u>5</u>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2018 interest expense relating to lease liabilities is for finance leases under IAS 17 whilst in 2019 the interest expense is for lease liabilities under IFRS 16.

### 8. Taxation

	2019 £000	2018 £000
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(39)	(20)
Adjustment in respect of prior years	23	(7)
<b>Total deferred tax</b>	<u>(16)</u>	<u>(27)</u>
<b>Taxation credit on profit on ordinary activities</b>	<u>(16)</u>	<u>(27)</u>

#### Factors affecting tax credit for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>965</u>	<u>648</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	183	123
<b>Effects of:</b>		
Other differences	5	1
Deferred tax not recognised	9	-
Adjustments to tax charge in respect of prior years	23	(7)
Group relief for nil consideration	(236)	(144)
<b>Total tax credit for the year</b>	<u>(16)</u>	<u>(27)</u>

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Taxation (continued)

#### Factors that may affect future tax charges

The statutory UK corporation tax rate is currently 19%, effective from 1 April 2017 (reduced from 20% previously). Note, this rate was to be further reduced in future periods to 17% (effective from 1 April 2020 – substantially enacted on 15 September 2016).

However, the UK government announced, in their budget held on 11 March 2020, that the corporation tax rate applicable from 1 April 2020 is now to remain at 19%. This change was substantively enacted on 17 March 2020.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantially enacted, at 31 December 2019. For the year ended 31 December 2019, in these financial statements, the reduction in the UK corporation tax rate to 17%, which was substantially enacted on 15 September 2016, has been used to calculate the closing deferred taxation balances. The change to 19% arising after the reporting date will affect the calculation of future deferred tax balances.

### 9. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Right-of-use assets £000	Total £000
<b>Cost</b>					
At 1 January 2019	1,987	280	5	-	2,272
Additions	76	77	-	10	163
On adoption of IFRS 16	-	-	-	1,554	1,554
Disposals	-	(8)	-	-	(8)
Transfers between classes	(593)	593	-	-	-
At 31 December 2019	1,470	942	5	1,564	3,981
<b>Depreciation</b>					
At 1 January 2019	1,090	192	5	-	1,287
Charge for the year	148	79	-	213	440
Disposals	-	(8)	-	-	(8)
Transfers between classes	(464)	464	-	-	-
At 31 December 2019	774	727	5	213	1,719
<b>Net book value</b>					
At 31 December 2019	696	215	-	1,351	2,262
At 31 December 2018	897	88	-	-	985

**RIVENDELL EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**9. Tangible fixed assets (continued)**

**Right-of-use assets**

The net book value and depreciation charge for right-of-use assets by class of underlying asset is as follows:

	31 December 2019 £000	1 January 2019 £000
<b>Net book value</b>		
Land and buildings	1,348	1,551
Plant and machinery	3	3
	<u>1,351</u>	<u>1,554</u>
	<u><u>2019</u></u>	<u><u>2018</u></u>
	<u><u>£000</u></u>	<u><u>£000</u></u>
<b>Depreciation charge</b>		
Land and buildings	213	-
Plant and machinery	-	-
	<u>213</u>	<u>-</u>
	<u><u>2019</u></u>	<u><u>2018</u></u>
	<u><u>£000</u></u>	<u><u>£000</u></u>

**10. Stocks**

	2019 £000	2018 £000
Raw materials	86	91
Work in progress	212	117
	<u>298</u>	<u>208</u>
	<u><u>2019</u></u>	<u><u>2018</u></u>
	<u><u>£000</u></u>	<u><u>£000</u></u>

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

The above is stated after impairment provisions of £nil (2018: £nil).

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Debtors

	2019 £000	Restated 2018 £000
Trade debtors	1,459	1,433
Amounts owed by group undertakings	850	-
Other debtors	330	35
Prepayments	78	115
	<u>2,717</u>	<u>1,583</u>

Amounts owed by group undertakings were repayable within one year are unsecured, interest free and repayable on demand.

Trade debtors are stated after making provisions for impairment of £5,000 (2018: £nil).

The prior year trade debtors have been restated (increased) to reflect a presentational difference between this and deferred income (see note 12) of £379,000, however, overall there is no quantitative change to the balance sheet net current assets.

### 12. Creditors: Amounts falling due within one year

	2019 £000	Restated 2018 £000
Lease liabilities (note 22)	161	-
Trade creditors	483	533
Amounts owed to group undertakings	116	764
Other taxation and social security	352	242
Other creditors	276	25
Accruals and deferred income	344	560
	<u>1,732</u>	<u>2,124</u>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The lease liabilities are secured against certain fixed assets of the company and accrue interest at variable rates.

The prior year accruals and deferred income have been restated (increased) to reflect a presentational difference between this and trade debtors (see note 11) of £379,000, however, overall there is no quantitative change to the balance sheet net current assets.

**RIVENDELL EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**13. Creditors: Amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Lease liabilities (note 22)	1,084	-

The lease liabilities are secured against certain fixed assets of the company and accrue interest at variable rates.

**14. Secured debts**

The following secured debts are included within creditors:

The lease liabilities are secured against certain fixed assets of the company and accrue interest at variable rates.

**15. Deferred taxation**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	2	(25)
Credited to income statement	16	27
<b>At end of year</b>	<b>18</b>	<b>2</b>

The deferred tax asset is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	18	2
	18	2

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



# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Provisions

	Dilapidation provision £000
At 1 January 2019 - as previously stated	-
Recognised on adoption of IFRS 16	90
<b>At 1 January 2019 - as restated</b>	<b>90</b>
<b>At 31 December 2019</b>	<b>90</b>

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements within the right-of-use asset class over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

### 17. Share capital

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
41,000 Ordinary shares of £1 each	41	41

### 18. Ultimate parent company

The company's immediate parent undertaking is Coveris Flexibles UK Limited. The ultimate parent undertaking and controlling party of the company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc. The largest and smallest company to consolidate the results and financial position of the company is that headed by Coveris S.A. These consolidated financial statements are available from [www.lbr.lu](http://www.lbr.lu).

### 19. Contingent liabilities

As of 31st December 2019 the company was co-guarantor of a UK based asset based financing agreement. On 12th September 2019 the facility was renewed and extended. In the opinion of the directors no loss is expected to arise as a result of the security being granted. A copy of this security is filed at Companies House and can be accessed at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk).

## **RIVENDELL EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **20. Pension commitments**

The company operates a defined contributions pension scheme, during the year ended 31 December 2019 contributions amounted to £243,000 (2018: £164,000). Contributions payable are charged in the income statement. At 31 December 2019 £44,000 (2018: £23,000) was included within accruals.

#### **21. Post balance sheet events**

Since the start of 2020, the onset of the COVID-19 pandemic has occurred. This is considered a non-adjusting post balance sheet event, and therefore has no impact on the carrying value of assets at the balance sheet date. Consideration of the impact of this on the going concern status of the company is included in the 'Post balance sheet events and going concern' section of the Strategic Report and in the basis of preparation note 2.3 in the accounting policies.

# RIVENDELL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 22. Effect of adoption of IFRS 16 - Leases

As indicated in note 2.4, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.14.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate to the lease liabilities on 1 January 2019 was 3.66%.

The total cash outflow for leases in 2019 was £278,000.

#### i. Measurement of lease liabilities

	2019 £000
Operating lease commitments disclosed at 31 December 2018	1,675
Plus: adjustments of minimum lease payment as a result of a different treatment of extension or termination options	45
Less: discounting effect as at 1 January 2019	(256)
<b>Lease liability as at 1 January 2019</b>	<b>1,464</b>
	<b>2019 £000</b>
<b>Of which are:</b>	
Current lease liabilities	184
Non-current lease liabilities	1,280
	<b>1,464</b>

#### ii. Measurement of right of use assets

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

**RIVENDELL EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**22. Effect of adoption of IFRS 16 - Leases (continued)**

	<b>2019 £000</b>
Lease liability as at 1 January 2019	1,464
Interest expense	49
Additions	10
Payments	(242)
Invoices paid in advance	(36)
<b>Lease liability as at 31 December 2019</b>	<b><u>1,245</u></b>
	<b>2019 £000</b>
<b>Of which are:</b>	
Current lease liabilities	161
Non-current lease liabilities	1,084
	<b><u>1,245</u></b>