Rivendell Europe Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 03374815

Rivendell Europe Limited

Company Information

Directors	A Joy J McAuley J Pallas D Patterson
Registered number	03374815
Registered office	Holland Place Wardentree Park Pinchbeck Spalding Lincolnshire PE11 3ZN
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

Rivendell Europe Limited

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Rivendell Europe Limited

Strategic Report
For the Year Ended 31 December 2020

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2020.

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 2020 decreased to £9.7m (2019 - £11.0m) which was due to a decrease in client activity caused by the COVID-19 pandemic. Gross margins have dropped to 12.1% (2019 - 21.3%) due to this decreased turnover and a change in the sales mix, as well as cost of sales remaining similar to that of the prior year. Adjusting gross margin for the £0.45m of Government furlough income received as part of the support given to businesses during the COVID-19 pandemic results in a gross margin performance of 16.8% for 2020.

The major impact from the COVID-19 pandemic on the business in 2020 was the loss of a significant account in the Mail Order market. This led to the business focussing on our core Packaging opportunities. For example in May 2021 a substantial contract with a new Branded client servicing their French, Spanish and Portuguese territories was secured.

Intercompany turnover has grown and will grow further in 2021 through intercompany plate sales within the Coveris UK group as their sales grow through acquisition.

The above has resulted in the Company reporting an operating profit for the year of £0.2m (2019 - £1.0m), this is after incurring exceptional expenses of £0.1m (2019 - £Nil), these substantially related to workforce and management restructuring costs £0.04m (2019 - £Nil) and additional employee costs as a result of the COVID-19 pandemic of £0.07m (2019 - £Nil).

Going concern

Having navigated the past year through the COVID-19 pandemic and re-focussed the business on core packaging opportunities, the Directors have assessed key factors such as liquidity, revenue and profitability 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.

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 also reliant upon key customer relationships with the Coveris UK businesses and also it's agency agreement and as such has a concentration of turnover within these two areas of the business.

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 businesses within the group, the Company's directors are of the opinion that analysis using 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.

This report was approved by the board on 10th June 2021 and signed on its behalf.

A Joy
Director

Rivendell Europe Limited

Directors' Report
For the Year Ended 31 December 2020

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year, after taxation, amounted to £121,000 (2019 - £981,000).

No dividends were declared or paid during the year (2019 - £Nil).

Directors

The Directors who served during the year were:

A Joy
J McAuley
J Pallas
D Patterson

Engagement with employees

Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the bonus schemes linked to operating profit.

Consultation with employees occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole.

Qualifying third party indemnity provisions

The Company has not entered into qualifying third party indemnity arrangements for the benefit of the Directors in a form and scope detailed within the Companies Act 2006.

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the Company.

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.

Events after the reporting period

There have been no significant events affecting the Company since the year end.

Auditor

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

This report was approved by the board on 10th June 2021 and signed on its behalf.

A Joy
Director

Directors' Responsibilities Statement
For the Year Ended 31 December 2020

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 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 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent Auditor's Report to the Members of Rivendell Europe Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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.

We have audited the financial statements of Rivendell Europe Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Conclusions relating to going concern

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

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

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 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 Directors' Responsibilities Statement, 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's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Auditor's responsibilities for the audit of the financial statements (continued)

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:
Mark Langford
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Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom

14 June 2021

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

Rivendell Europe Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	4	**9,651**	10,987
Cost of sales		**(8,487)**	(8,643)
Gross profit		**1,164**	2,344
Administrative expenses		**(1,344)**	(1,320)
Exceptional administrative expenses	5	**(104)**	-
Other operating income	6	**453**	-
Operating profit	7	**169**	1,024
Interest receivable and similar income	11	**10**	-
Interest payable and similar expenses	12	**(68)**	(59)
Profit before tax		**111**	965
Tax on profit	13	**10**	16
Profit for the financial year		**121**	981

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 12 to 32 form part of these financial statements.

Rivendell Europe Limited
Registered number:03374815

Statement of Financial Position
As at 31 December 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	14		**2,306**		2,262
Deferred tax asset	20		**28**		18
			2,334		2,280
Current assets					
Stocks	15	**279**		298	
Debtors: amounts falling due within one year	16	**2,524**		2,717	
Cash at bank and in hand		**131**		-	
		2,934		3,015	
Creditors: amounts falling due within one year	17	**(1,425)**		(1,732)	
Net current assets			**1,509**		1,283
Total assets less current liabilities			**3,843**		3,563
Creditors: amounts falling due after more than one year	18		**(1,235)**		(1,084)
Provisions for liabilities					
Other provisions	21		**(98)**		(90)
Net assets			**2,510**		2,389
Capital and reserves					
Called up share capital	22		**41**		41
Share premium account	23		**9**		9
Capital redemption reserve	23		**221**		221
Profit and loss account	23		**2,239**		2,118
Total equity			**2,510**		2,389

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

10th June 2021

A Joy
Director

The notes on pages 12 to 32 form part of these financial statements.

Rivendell Europe Limited

Statement of Changes in Equity
For the Year Ended 31 December 2020

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	**41**	**9**	**221**	**1,137**	**1,408**
Comprehensive income for the year					
Profit for the year	-	-	-	981	981
Total comprehensive income for the year	-	-	-	981	981
At 1 January 2020	**41**	**9**	**221**	**2,118**	**2,389**
Comprehensive income for the year					
Profit for the year	-	-	-	121	121
Total comprehensive income for the year	-	-	-	121	121
At 31 December 2020	**41**	**9**	**221**	**2,239**	**2,510**

The notes on pages 12 to 32 form part of these financial statements.

1. General information

Rivendell Europe Limited is a private company, limited by shares, and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

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' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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 the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total;
- 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;
- 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.

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Coveris S.A. These financial statements do not include certain disclosures in respect of:

- the requirements of IFRS 7 Financial Instruments: Disclosures

2. Accounting policies (continued)

2.3 Going concern

Having navigated the past year through the COVID-19 pandemic and re-focussed the business on core packaging opportunities, the Directors have assessed key factors such as liquidity, revenue and profitability 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.

2.4 Impact of new international reporting standards, amendments and interpretations

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2020. None of these had a material impact on the Company.

2.5 Foreign currency translation

Functional and presentation currency

The financial statements are prepared in Sterling (£) which is the functional currency of the Company and rounded to the nearest £000's unless otherwise stated.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'cost of sales'.

2. Accounting policies (continued)

2.6 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 Statement of Financial Position 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.

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Exceptional items

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

2.9 Other operating income

Government grants

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

2.10 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.11 Finance costs

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

2. Accounting policies (continued)

2.12 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.13 Tangible fixed assets

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

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Plant and machinery	- 10% on cost
Motor vehicles	- 25% on cost
Fixtures and fittings	- 20% to 33% on cost
Right of use assets	- Over the period of the lease

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.14 Stocks

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

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

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Provisions are discounted only where the impact is considered to be material.

2. Accounting policies (continued)

2.17 Financial instruments

Financial Assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, or amortised costs. 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 at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. 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 Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Financial Liabilities

Initial recognition and measurement

The Company 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 transaction 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. Accounting policies (continued)

2.18 Leases

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.

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

- 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.

2. Accounting policies (continued)

2.18 Leases (continued)

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)

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 reassesses 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 or 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.

3. Judgements in applying accounting policies 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 reporting 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 and estimates have had the most significant effect on amounts recognised in the financial statements:

Impairment of assets (notes 14, 15 and 16)- 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 (note 14) - 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.

Provisions (note 21) - judgement

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligation in deciding if an outflow of resources is probable or not.

Leases (note 19) - 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.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	**9,314**	10,975
Rest of Europe	**337**	12
	9,651	10,987

5. Exceptional administrative expenses

	2020 £000	2019 £000
Restructuring costs	**39**	-
COVID-19 related costs	**65**	-
	104	-

During 2020, the Company restructured its workforce. This has resulted in restructuring, compensation and redundancy costs of £39,000 (2019 - £Nil).

During 2020, the Company incurred additional employee costs related to the COVID-19 pandemic of £65,000 (2019 - £Nil).

6. Other operating income

	2020 £000	2019 £000
Government grants receivable for furloughed employees	**453**	-

7. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible fixed assets	**217**	227
Depreciation of right of use assets	**229**	213
Foreign exchange losses	**2**	4
Operating lease charges on low value and short term leases	**8**	34

8. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**11**	10

9. Employees

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

	2020 £000	2019 £000
Wages and salaries	**5,355**	6,177
Social security costs	**532**	595
Cost of defined contribution scheme	**232**	243
	6,119	7,015

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

	2020 No.	2019 No.
Directors	**4**	4
Production	**168**	176
Administration	**10**	14
	182	194

Included within payroll costs above are costs of £183,000 (2019 - £1,244,000) which are recharged to other group companies at cost and therefore presented net within cost of sales and administrative expenses during the year.

10. 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:

	2020 £000	2019 £000
Directors' emoluments	**125**	148
Company contributions to defined contribution pension schemes	**51**	12
	176	160

During the year, retirement benefits were accruing to 1 (2019 - 1) director in respect of defined contribution pension schemes.

11. Interest receivable

	2020 £000	2019 £000
Other interest receivable	**10**	-

12. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	**19**	10
Interest on lease liabilities	**49**	49
	68	59

13. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	-	-
Deferred tax		
Origination and reversal of timing differences	(3)	(39)
Adjustment in respect of previous years	(5)	23
Impact of change in tax rate	(2)	-
Total deferred tax	**(10)**	(16)
Taxation on profit	**(10)**	(16)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before tax	**111**	965
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**21**	183
Effects of:		
Adjustments to tax charge in respect of previous years	**(5)**	23
Deferred tax not recognised	-	9
Other differences	**1**	5
Group relief for nil consideration	**(25)**	(236)
Re-measurement of deferred tax	**(2)**	-
Total tax credit for the year	**(10)**	(16)

Factors that may affect future tax charges

The UK Government announced on 3 March 2021 its intention to increase the UK Corporation tax rate from 19% to 25% from 1 April 2023. This has not been substantively enacted at the reporting date and as such tax has been calculated based on the prevailing rate of 19%. The utilisation of the new corporation tax rate proposed in the recent budget will be considered in future periods.

14. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Right of use assets £000	Total £000
Cost					
At 1 January 2020	1,470	5	942	1,564	3,981
Additions	93	-	54	343	490
Disposals	-	-	-	(120)	(120)
Other adjustments	33	-	-	-	33
At 31 December 2020	1,596	5	996	1,787	4,384
Depreciation					
At 1 January 2020	774	5	727	213	1,719
Charge for the year	148	-	69	229	446
Disposals	-	-	-	(120)	(120)
Other adjustments	33	-	-	-	33
At 31 December 2020	955	5	796	322	2,078
Net book value					
At 31 December 2020	641	-	200	1,465	2,306
At 31 December 2019	696	-	215	1,351	2,262

During the year, the Directors identified certain assets that, whilst fully depreciated, are still in use within the business and therefore should be included in the opening balance for plant and machinery. An adjustment to increase closing cost and accumulated depreciation at 31 December 2020 by £33,000 has therefore been recognised. This adjustment has no impact on the net book value in either the 2019 or 2020 Statement of Financial Position.

14. Tangible fixed assets (continued)

Right-of-use assets

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

	2020 £000	2019 £000
Net book value		
Land and buildings	1,465	1,348
Plant, machinery and motor vehicles	-	3
	1,465	1,351

	2020 £000	2019 £000
Depreciation charge		
Land and buildings	(226)	(213)
Plant, machinery and motor vehicles	(3)	-
	(229)	(213)

15. Stocks

	2020 £000	2019 £000
Raw materials and consumables	131	86
Work in progress (goods to be sold)	148	212
	279	298

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

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of slow-moving and obsolete stock was £Nil (2019 - £Nil).

16. Debtors: amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	**764**	1,459
Amounts owed by group undertakings	**1,123**	850
Other debtors	**584**	330
Prepayments	**53**	78
	2,524	2,717

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £Nil (2019 - £5,000).

Amounts owed by group undertakings include £739,000 (2019 - £262,000) of cash pool balances and as such this element of amounts owed by group undertakings are secured and accrue interest at variable rates. The remaining balances owed by group undertakings are unsecured, interest free and repayable on demand.

17. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**508**	483
Amounts owed to group undertakings	**121**	116
Other taxation and social security	**458**	352
Lease liabilities (note 19)	**183**	161
Other creditors	**35**	276
Accruals and deferred income	**120**	344
	1,425	1,732

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.

18. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities (note 19)	**1,203**	1,084
Other creditors	**32**	-
	1,235	1,084

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

19. Leases

Company as a lessee

The total cash outflow for leases in 2020 was £251,000 (2019 - £278,000).

	2020 £000	2019 £000
Carrying amounts of the lease liabilities and the movements:		
At 1 January	**1,245**	1,464
Additions	**343**	10
Interest expense	**49**	49
Lease payments	**(251)**	(278)
Lease liability as at 31 December	**1,386**	1,245

	2020 £000	2019 £000
Of which are:		
Current lease liabilities	**183**	161
Non-current lease liabilities	**1,203**	1,084
As at 31 December	**1,386**	1,245

20. Deferred taxation

	2020 £000
At beginning of year	18
Credited to Statement of Comprehensive Income	10
At end of year	**28**

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	20	16
Provisions and pensions	8	2
	28	18

At the end of the financial year, the company has disallowed interest of £10,000 (2019 - £Nil) available for relief in a future period. No deferred tax asset has been recognised in respect of this relief.

21. Provisions

	Dilapidation provision £000
At 1 January 2020	90
Charged to Statement of Comprehensive Income	8
At 31 December 2020	**98**

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, in May 2025.

22. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
41,000 (2019 - 41,000) Ordinary shares of £1.00 each	**41**	41

Ordinary shares have attached to them full voting, dividend and capital distribution rights, including on a winding up. They do not confer any rights of redemption.

23. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

24. Contingent liabilities

As of 31 December 2020 the Company was co-guarantor of a UK based asset based financing agreement. On 12 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.

25. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £232,000 (2019 - £243,000).

The amounts outstanding at the year end, included within other creditors, were £28,000 (2019 - £44,000).

26. Related party transactions

JMCA Limited, a company controlled by Janet McAulay, the spouse of Jim McAulay (a director of Rivendell Europe Limited) was paid fees in the year of £98,000 (2019 - £115,000) for work on the JD Williams contract. At the year end the company owed JMCA Limited £Nil (2019 - £10,000), included in accruals and deferred income. The contract with JMCA Limited ceased in October 2020 when the contract with JD Williams also ceased.

27. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Coveris Flexibles UK Limited, a company incorporated in England and Wales and registered at Holland Place Wardentree Park, Pinchbeck, Spalding, Lincolnshire, PE11 3ZN.

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.