

Appleseed Holdco Limited

Annual Report and Financial Statements

Year Ended

31 May 2020

Company Number 09250826



Appleseed Holdco Limited

Company Information

Directors	J D Agnew J J Brade
Company secretary	M B Stokes
Registered number	09250826
Registered office	Crewe Hall Enterprise Park Crewe Cheshire CW1 6UL
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Appleseed Holdco Limited

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Appleseed Holdco Limited

Group Strategic Report For the Year Ended 31 May 2020

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

Business review

Performance and Strategy

The Group continues to be a leading provider of secondary packaging exclusively to the pharmaceutical, healthcare and related sectors. With a Mission to become its "customers' most valued provider", which is achieved through excellent service, experience, innovation and quality, the Group has continued to deliver on these commitments. The commitment to quality is recognised with the ISO 9001 and PS 9000: 2016 accreditations.

The Group achieved turnover of £16.5m (2019 - £18.6m) and an operating profit of £0.7m (2019 - £1.5m). While both turnover and operating profit have seen a reduction on the prior year, this year's results are masked by some non-recurring charges, which the Group has incurred and after adjusting for these the result for this year shows a very solid performance and in line with the prior year, in terms of return on sales. The focus remains on growth through excellence and these results provide the ability to build on this success through development and investment in employees and equipment to continue to improve operational efficiency, service and quality.

Principal risks and uncertainties (including Covid-19)

BREXIT continues to cause some uncertainty in the business community, as to whether there will be a deal and has seen a steady weakening of Sterling, with the occasional upward movement in certain months over the last twelve months. The decline in Turnover on the prior year is very much a result of a decision to move production to Europe from the UK.

The Group has minimal exposure to currency variation and it looks to mitigate this through effective purchasing, monitoring the need to hedge where necessary and reviewing alternative sources of supply. Similarly, while there are sales into international markets, the ability to hedge exposure is closely monitored, with the majority of sales being within the UK.

The Group has credit insurance in place to mitigate the risk of a failure of a customer, together with a process of close monitoring and management of the customer base.

As the Group continues to grow, attracting and retaining experienced and high performing employees becomes ever more challenging, however, the Group looks to develop and progress employees in line with Group performance.

The Group has faced the challenges of dealing with the Covid-19 pandemic. This has resulted in us changing our working practices and the way we interact with our customers. Our ability to respond successfully to the demands placed upon our business with agility, flexibility and speed has allowed us throughout the lockdown period to continue to manufacture to ensure we meet our customers' demands and at the same time provide a safe working environment in line with the Covid-19 requirements for our employees.

The safety of our employees, customers and suppliers is of paramount importance to the Group. It is testament to our committed employees and our resilience as to how quickly we have been able to adapt and where possible we were able to have employees fully operational from home very quickly. Throughout the lockdown period we have not placed any employees on the government's Furlough scheme.

We are also pleased to report that while Covid-19 has presented the Group with many challenges it has also provided a number of opportunities. With there appearing to be no quick vaccine available for Covid-19, the Group has benefited from a number of enquiries for test kits and on the vaping side we have seen a steady rise in activity, influenced by the implications of lockdown.

Appleseed Holdco Limited

Group Strategic Report (continued) For the Year Ended 31 May 2020

Principal risks and uncertainties (including Covid-19) (continued)

The Board is required to assess the Group's viability over a period greater than twelve months and with the impact of Covid-19, the Board has undertaken a number of stress tests to measure the impact on sales and margin in a Covid-19 world.

A deep sales decline has been applied to the model and this has shown that the Group is able to deliver a break-even EBITDA, with a wholly unlikely sales reduction. It should also be noted that as part of the contingency planning for the Covid-19 pandemic, the Group has taken action to closely monitor its resource requirements, focus on tight cost control and delay any unnecessary capital outlay.

The Group has since the onset of the Covid-19 pandemic placed increasing focus on its cash resources to mitigate and protect against potential disasters. There has been close monitoring of working capital. The Group also increased its facility under the invoicing discounting facility arrangements it has in place in December 2019.

On the 18 December 2020, a management buyout, led by Gerard Harford and Mark Stokes and supported by Harwood Private Equity was completed acquiring Appleseed Holdco Limited and its subsidiaries Appleseed Bidco Limited and Medica Packaging Limited. This change, the Board believe, will help to ensure that Medica Packaging is able to fully capitalise on the market opportunities that are available and have the financial strength to invest further and continue to grow.

In conjunction with the completion of the management buy-out, following negotiations with the facility provider, the Company repaid the sum of £1.7m on the term loan early on the 17 December 2020, along with revised terms. This has led to significantly reduced monthly repayments on the term loan from £80,000 to £9,565 from 1 January 2021. The loan now has 23 monthly repayments of £9,565 and a final payment of £2m in December 2022. As part of these negotiations with the facility provider, a reduction of the interest rate on the Invoice discounting facility from 2.95% above bank base rate down to 2% above bank base rate has also been secured.

The Directors are confident that the early repayment made on the Term loan, will alleviate any pressure on the covenant measures in place. The Company still has significant cash resources to meet the on-going financial obligations and the Board are confident that the Company is better positioned and maintain the confidence on the stress tests that have been performed for the going-concern basis to be adopted.

On the basis of the stress tests and the reviews undertaken the Board consider it appropriate for the going-concern basis to be adopted in preparing the financial statements.

Financial key performance indicators

The Group monitors performance on a daily basis and has in place Key performance indicators that are designed to evaluate how the Company performs. The key performance indicators that the Group uses are:

1. Daily order intake;
2. Actual Sales performance against budget and prior year;
3. Earnings before interest, tax, depreciation and amortisation ("EBITDA"); and
4. Working Capital monitoring and management.

Environment

There is recognition that the Group has a responsibility to the environment, customers, suppliers and employees. The Group, where possible ensures that it purchases material certified by the Programme for the Endorsement of Forest Certification (PEFC) or the Forest Stewardship Council (FSC). The Group's commitment to protecting the environment is evidenced with its ISO 14001 accreditation and the aims documented in the Environmental Policy to be a market leader in the packaging industry by producing cartons and leaflets using sustainable resources.

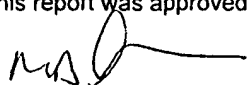
Appleseed Holdco Limited

Group Strategic Report (continued) For the Year Ended 31 May 2020

Outlook

The prospects for the future are encouraging and the Group is now well placed to build upon the financial performance achieved this year. With a committed workforce and a commitment to continue to invest further in both employees and plant and machinery, the future is approached with confidence.

This report was approved by the board on 21st January 2021 and signed on its behalf.



M B Stokes
Secretary

Appleseed Holdco Limited

Directors' Report For the Year Ended 31 May 2020

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

Principal activity

The principal activity of the Company is that of a holding company.

The Group's principal activity is the design, manufacturing and sale of printed folded cartons, primarily to the pharmaceutical industry in the UK and Europe.

Results and dividends

The profit for the year, after taxation, amounted to £94,000 (2019 - £1,505,000).

Dividends of £Nil have been declared in the period (2019 - £Nil). The Directors do not propose the payment of a final dividend.

Directors

The Directors who served during the year were:

R B Sanders (resigned 18 December 2020)
L G Tamberlin (resigned 18 December 2020)

J D Agnew and J J Brade were appointed as Directors of the Company on 18 December 2020.

Going concern

As mentioned by the Directors in the Strategic Report, on the basis of the stress tests and the reviews undertaken, the Board consider it appropriate for the going-concern basis to be adopted in preparing the financial statements.

Qualifying third party indemnity provisions

The Group has not entered into qualifying third party indemnity arrangements for the benefit of the Directors in a form and scope which comply with the requirements of 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 Director considers 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 and the Group'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 and the Group's auditor is aware of that information.

Appleseed Holdco Limited

Directors' Report (continued) For the Year Ended 31 May 2020

Events after the reporting period

On the 18 December 2020, a management buyout, led by Gerard Harford and Mark Stokes and supported by Harwood Private Equity was completed acquiring Appleseed Holdco Limited and its subsidiaries Appleseed Bidco Limited and Medica Packaging Limited. This change, the Board believe, will help to ensure that Medica Packaging is able to fully capitalize on the market opportunities that are available and have the financial strength to invest further and continue to grow.

In conjunction with the completion of the management buy-out, following negotiations with the facility provider, the Company repaid the sum of £1.7m on the term loan early on the 17 December 2020, along with revised terms. This has led to significantly reduced monthly repayments on the term loan from £80,000 to £9,565 from 1 January 2021. The loan now has 23 monthly repayments of £9,565 and a final payment of £2m in December 2022. As part of these negotiations with the facility provider, a reduction of the interest rate on the Invoice discounting facility from 2.95% above bank base rate down to 2% above bank base rate has also been secured.

The board consider the above to be non-adjusting post balance sheet events.

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 21st January 2021 and signed on its behalf.



M B Stokes
Secretary

Appleseed Holdco Limited

Directors' Responsibilities Statement For the Year Ended 31 May 2020

The Directors are responsible for preparing the Group 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 Group and Company 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 Group and Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

Appleseed Holdco Limited

Independent Auditor's Report to the Members of Appleseed Holdco Limited

Opinion

We have audited the financial statements of Appleseed Holdco Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 May 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2020 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Appleseed Holdco Limited

Independent Auditor's Report to the Members of Appleseed Holdco Limited (continued)

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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Appleseed Holdco Limited

Independent Auditor's Report to the Members of Appleseed Holdco Limited (continued)

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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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.

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's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

25 January 2021

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

Appleseed Holdco Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 May 2020

	Note	2020 £000	2019 £000
Turnover	4	16,475	18,570
Cost of sales		(10,002)	(11,458)
Gross profit		6,473	7,112
Distribution costs		(872)	(1,007)
Administrative expenses		(4,941)	(4,638)
Operating profit	5	660	1,467
Interest receivable and similar income		4	-
Interest payable and similar expenses	8	(357)	(272)
Profit before taxation		307	1,195
Tax on profit	9	(213)	310
Profit for the financial year		94	1,505

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

All profit is attributable to the owners of the parent company.

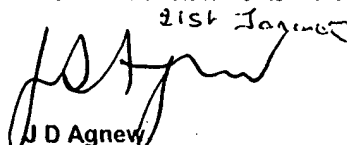
The notes on pages 16 to 38 form part of these financial statements.

Appleseed Holdco Limited
Registered number:09250826

Consolidated Statement of Financial Position
As at 31 May 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	10		(878)		(1,134)
Tangible assets	11		2,444		2,156
			<u>1,566</u>		<u>1,022</u>
Current assets					
Stocks	13	1,653		1,479	
Debtors: amounts falling due within one year	14	4,572		4,472	
Cash at bank and in hand		4,143		262	
		<u>10,368</u>		<u>6,213</u>	
Creditors: amounts falling due within one year	15	(9,854)		(5,142)	
Net current assets			<u>514</u>		<u>1,071</u>
Total assets less current liabilities			<u>2,080</u>		<u>2,093</u>
Creditors: amounts falling due after more than one year	16		(702)		(882)
Net assets			<u><u>1,378</u></u>		<u><u>1,211</u></u>
Capital and reserves					
Called up share capital	19		8		8
Share premium account	20		842		842
Share option reserve	20		364		291
Profit and loss account	20		164		70
Equity attributable to owners of the parent Company			<u><u>1,378</u></u>		<u><u>1,211</u></u>

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

21st January 2021

J D Agnew
Director

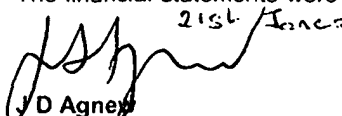
The notes on pages 16 to 38 form part of these financial statements.

Appleseed Holdco Limited
Registered number:09250826

Company Statement of Financial Position
As at 31 May 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Investments	12		1,206		1,133
Current assets					
Debtors: amounts falling due within one year	14	7		8	
Creditors: amounts falling due within one year	15	(338)		(111)	
Net current liabilities			(331)		(103)
Total assets less current liabilities			875		1,030
Capital and reserves					
Called up share capital	19		8		8
Share premium account	20		842		842
Share option reserve	20		364		291
Profit and loss account brought forward		(111)		(10)	
Loss for the year		(228)		(101)	
Profit and loss account carried forward	20		(339)		(111)
Equity attributable to owners of the parent Company			875		1,030

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

21st January 2021

J D Agnew
Director

The notes on pages 16 to 38 form part of these financial statements.

Appleseed Holdco Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2020

	Called up share capital	Share premium account	Share option reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 June 2019	8	842	291	70	1,211
Comprehensive income for the year					
Profit for the year	-	-	-	94	94
Total comprehensive income for the year	-	-	-	94	94
Contributions by and distributions to owners					
Share options charge	-	-	73	-	73
Total transactions with owners	-	-	73	-	73
At 31 May 2020	8	842	364	164	1,378

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2019

	Called up share capital	Share premium account	Share options reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 June 2018	8	-	164	(1,435)	(1,263)
Comprehensive income for the year					
Profit for the year	-	-	-	1,505	1,505
Total comprehensive income for the year	-	-	-	1,505	1,505
Contributions by and distributions to owners					
Shares issued during the year	-	842	-	-	842
Share options charge	-	-	127	-	127
Total transactions with owners	-	842	127	-	969
At 31 May 2019	8	842	291	70	1,211

The notes on pages 16 to 38 form part of these financial statements.

Appleseed Holdco Limited

Company Statement of Changes in Equity For the Year Ended 31 May 2020

	Called up share capital	Share premium account	Share option reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 June 2019	8	842	291	(111)	1,030
Comprehensive loss for the year					
Loss for the year	-	-	-	(228)	(228)
Total comprehensive loss for the year	-	-	-	(228)	(228)
Contributions by and distributions to owners					
Share options charge	-	-	73	-	73
Total transactions with owners	-	-	73	-	73
At 31 May 2020	8	842	364	(339)	875

Company Statement of Changes in Equity For the Year Ended 31 May 2019

	Called up share capital	Share premium account	Share option reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 June 2018	8	-	164	(10)	162
Comprehensive loss for the year					
Loss for the year	-	-	-	(101)	(101)
Total comprehensive loss for the year	-	-	-	(101)	(101)
Contributions by and distributions to owners					
Shares issued during the year	-	842	-	-	842
Share options charge	-	-	127	-	127
Total transactions with owners	-	842	127	-	969
At 31 May 2019	8	842	291	(111)	1,030

The notes on pages 16 to 38 form part of these financial statements.

Appleseed Holdco Limited

Consolidated Statement of Cash Flows For the Year Ended 31 May 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit for the financial year	94	1,505
Adjustments for:		
Amortisation of intangible assets	(259)	(255)
Depreciation of tangible assets	402	381
Interest payable	357	272
Taxation credit/(charge)	213	(310)
Increase in stocks	(174)	(320)
(Increase)/decrease in debtors	(202)	605
Increase/(decrease) in creditors	27	(1,272)
Share options charge	73	127
Shares issued in exchange for loan notes	-	842
Net cash generated from operating activities	531	1,575
Cash flows from investing activities		
Purchase of tangible fixed assets	(689)	(259)
Net cash used in investing activities	(689)	(259)
Cash flows from financing activities		
New secured loans	4,800	-
Repayment of loans	(644)	(462)
Proceeds from other loans	347	-
Repayment of other loans	-	(428)
Arrangement fees paid	(108)	-
Interest paid	(356)	(272)
Net cash from/(used in) financing activities	4,039	(1,162)
Net increase in cash and cash equivalents	3,881	154
Cash and cash equivalents at beginning of year	262	108
Cash and cash equivalents at the end of year	4,143	262
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,143	262

The notes on pages 15 to 36 form part of these financial statements.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

1. General information

Appleseed Holdco Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the Company Information page and the nature of the Group's operations and its principal activity is set out in the Directors' 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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

On 5th April 2019, a capital restructure exercise was completed, which saw the members of Appleseed Investments LLP, capitalising £842,500 of loan notes into C class ordinary shares. This restructure exercise has resulted in Appleseed Holdco Limited becoming the ultimate parent undertaking and controlling party.

The Group now comprises the intermediary holding company Appleseed Bidco Limited and its subsidiary Medica Packaging Limited.

2.3 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- no cash flow statement or net debt reconciliation has been presented for the parent company;
- disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.4 Going concern

During the last quarter the Group has faced the challenges of dealing with the Covid-19 pandemic. This has resulted in us changing our working practices and the way we interact with our customers. Our ability to respond successfully to the demands placed upon our business with agility, flexibility and speed has allowed us throughout the lockdown period to continue to manufacture to ensure we meet our customers' demands and at the same time provide a safe working environment in line with the Covid-19 requirements for our employees.

The safety of our employees, customers and suppliers is of paramount importance to the Group. It is testament to our committed employees and our resilience as to how quickly we have been able to adapt and where possible we were able to have employees fully operational from home very quickly. Throughout the lockdown period we have not placed any employees on the government's Furlough scheme.

We are also pleased to report that while Covid-19 has presented the Group with many challenges it has also provided a number of opportunities. With there appearing to be no quick vaccine available for Covid-19, the Group has benefited from a number of enquiries for test kits and on the vaping side we have seen a steady rise in activity, influenced by the implications of lockdown.

The Board is required to assess the Group's viability over a period greater than twelve months and with the impact of Covid-19, the Board has undertaken a number of stress tests to measure the impact on sales and margin in a Covid-19 world.

A deep sales decline has been applied to the model and this has shown that the Group is able to deliver a break-even EBITDA, with a wholly unlikely sales reduction. It should also be noted that as part of the contingency planning for the Covid-19 pandemic, the Group has taken action to closely monitor its resource requirements, focus on tight cost control and delay any unnecessary capital outlay.

The Group has since the onset of the Covid-19 pandemic placed increasing focus on its cash resources to mitigate and protect against potential disasters. There has been close monitoring of working capital. The Group also increased its facility under the invoicing discounting facility arrangements it has in place in December 2019.

On the 18 December 2020, a management buyout, led by Gerard Harford and Mark Stokes and supported by Harwood Private Equity was completed acquiring Appleseed Holdco Limited and its subsidiaries Appleseed Bidco Limited and Medica Packaging Limited. This change, the Board believe, will help to ensure that Medica Packaging is able to fully capitalise on the market opportunities that are available and have the financial strength to invest further and continue to grow.

In conjunction with the completion of the management buy-out, following negotiations with the facility provider, the Company repaid the sum of £1.7m on the term loan early on the 17 December 2020, along with revised terms. This has led to significantly reduced monthly repayments on the term loan from £80,000 to £9,565 from 1 January 2021. The loan now has 23 monthly repayments of £9,565 and a final payment of £2m in December 2022. As part of these negotiations with the facility provider, a reduction of the interest rate on the Invoice discounting facility from 2.95% above bank base rate down to 2% above bank base rate has also been secured.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

The Directors are confident that the early repayment made on the Term loan, will alleviate any pressure on the covenant measures in place. The Company still has significant cash resources to meet the on-going financial obligations and the Board are confident that the Company is better positioned and maintain the confidence on the stress tests that have been performed for the going-concern basis to be adopted.

On the basis of the stress tests and the reviews undertaken the Board consider it appropriate for the going-concern basis to be adopted in preparing the financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP. All amounts have been rounded to the nearest thousand.

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 Consolidated 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 Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Turnover is recognised on the dispatch of goods from the Company as this is when the risks of rewards of ownership are deemed to have passed.

2.7 Interest income

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

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.8 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.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income 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 Group in independently administered funds.

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.11 National Insurance on share options

To the extent that the share price at the reporting date is greater than the exercise price on options granted under unapproved schemes after 19 May 2000, provision for any National Insurance contributions has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

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 and the Group operate and generate 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;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Negative goodwill arises where the fair value of the identifiable assets acquired are higher than the consideration for acquisition. Negative goodwill up to the fair values of the non-monetary assets acquired are recognised in the profit and loss account in the periods in which the non-monetary assets are recovered. The members consider this period to be over a period of 9 years.

Any negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised in the year of acquisition.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.14 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.

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	- 10-33% straight line
Fixtures and fittings	- 14% straight line
Computer equipment	- 20% straight line

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 profit or loss.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the adjusted selling price less costs to complete and sell. 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.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.19 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.21 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Director have made the following judgements:

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of uncertainty:

- **Tangible fixed assets (see note 11)**
Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Stock (see note 13)**
The Group review their stock holding at the year end and assess the need for any provision to ensure that the stock is held at the lower of its cost and net realisable value. Any provision is made up of three parts, redundant stock, a surplus of a particular line due to over production and finally by a review of the ageing of the stock held. The Group review the cost of stock based on adjusted selling prices to ensure that this is valued at an accurate representation of its cost of production.
- **Trade debtors (see note 14)**
The Directors review trade receivables on a line by line basis at regular intervals and using their knowledge of the Group's debtors and the trading history with that company assess the level of provision required against each debtor.

4. Turnover

The whole of the turnover is attributable to the sale of printed packaging.

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	16,224	17,249
Rest of Europe	251	1,291
Rest of the world	-	30
	<u>16,475</u>	<u>18,570</u>

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

5. Operating profit

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

	2020 £000	2019 £000
Amortisation credit on goodwill	(256)	(256)
Depreciation charge on tangible fixed assets	405	381
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	26	24
Other operating lease rentals	373	447
	<u> </u>	<u> </u>

6. Employees

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	4,653	4,537	691	35
Social security costs	440	471	87	4
Cost of defined contribution scheme	155	128	(29)	1
Share based payments	73	127	-	-
	<u>5,321</u>	<u>5,263</u>	<u>749</u>	<u>40</u>

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

	2020 No.	2019 No.
Manufacturing	111	110
Sales and distribution	26	25
Administration	11	10
	<u>148</u>	<u>145</u>

The Company has no employees other than the Directors.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

7. Directors' remuneration in all group entities

	2020 £000	2019 £000
Directors' emoluments	555	209
Company contributions to defined contribution pension schemes	11	6
	<u>566</u>	<u>215</u>

During the year retirement benefits were accruing to 2 Directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid Director in the group received remuneration of £313,000 (2019 - £174,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £6,000 (2019 - £5,000).

8. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	<u>357</u>	<u>272</u>

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

9. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	-	-
Deferred tax		
Origination and reversal of timing differences	271	(310)
Adjustments in respect of prior periods	(27)	-
Effect of tax rate change on opening balance	(31)	-
Total deferred tax	213	(310)
Taxation on profit	213	(310)

Factors affecting tax credit/(charge) for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £000	2019 £000
Profit before tax	307	1,195
Profit multiplied by standard rate of corporation tax in the UK of 19.00% 2019 - 19.00%)	58	227
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	(49)
Expenses not deductible for tax purposes	58	5
Tax rate differences	-	(20)
Fixed asset differences	5	6
Deferred tax not recognised	196	(433)
Adjustments to tax charge in respect of prior periods	(27)	(46)
Remeasurement of deferred tax for changes in tax rates	(44)	-
Additional deduction for R&D expenditure	(33)	-
Total tax charge for the year	213	(310)

Factors that may affect future tax charges

There is an unrecognised deferred tax asset of £310,000 (2019 - £114,000) relating to trade losses. This has not been recognised due to the current uncertainty over the recoverability of this balance.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

10. Intangible assets

Group

	Negative Goodwill £000
Cost	
At 1 June 2019 and 31 May 2020	(2,547)
Amortisation	
At 1 June 2019	(1,413)
Credit for the year	(256)
At 31 May 2020	(1,669)
Net book value	
At 31 May 2020	(878)
At 31 May 2019	(1,134)

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

11. Tangible fixed assets

Group

	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 June 2019	9,896	709	927	11,532
Additions	623	-	70	693
At 31 May 2020	10,519	709	997	12,225
Depreciation				
At 1 June 2019	7,840	662	874	9,376
Charge for the year	346	20	39	405
At 31 May 2020	8,186	682	913	9,781
Net book value				
At 31 May 2020	2,333	27	84	2,444
At 31 May 2019	2,056	47	53	2,156

The net book value of assets held under finance leases or hire purchase contracts, included above, is £1,488,000 (2019 - £1,537,000).

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

12. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 June 2019	1,133
Additions	73
At 31 May 2020	<u>1,206</u>

Additions in the year relate to the following:

During the year share options to the value of £73,000 were charged, resulting in an addition to the cost of investment in Appleseed Bidco Limited.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
Appleseed Bidco Limited	UK	Holding Company	Ordinary	100%
Medica Packaging Limited	UK	Design, manufacture and sale of printed folded cartons for the pharmaceutical industry	Ordinary	100%

The registered office of the above subsidiaries is Crewe Hall, Enterprise Park, Crewe, Cheshire, CW1 6UL.

The investment in Medica Packaging Limited is held indirectly.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

13. Stocks

	Group 2020 £000	Group 2019 £000
Raw materials and consumables	539	563
Work in progress (goods to be sold)	272	99
Finished goods and goods for resale	842	817
	<u>1,653</u>	<u>1,479</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment reversal totalling £99,000 (2019 - £73,000 impairment reversal) was recognised in the Statement of Comprehensive Income.

14. Debtors

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade debtors	4,143	3,828	-	-
Amounts owed by group undertakings	-	-	7	-
Other debtors	9	69	-	8
Prepayments and accrued income	396	339	-	-
Deferred taxation	24	236	-	-
	<u>4,572</u>	<u>4,472</u>	<u>7</u>	<u>8</u>

All amounts shown under debtors fall due for payment within one year.

All amounts owed by group companies are interest free and repayable on demand.

The impairment loss recognised in the Statement of Comprehensive Income for the year in respect of bad debts was £8,000 (2019 - £Nil).

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

15. Creditors: Amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank loans	4,757	421	-	-
Invoice discounting creditor	2,006	1,659	-	-
Trade creditors	2,070	2,233	-	-
Amounts owed to group undertakings	-	-	338	111
Other taxation and social security	643	263	-	-
Other creditors	33	65	-	-
Accruals	345	501	-	-
	<u>9,854</u>	<u>5,142</u>	<u>338</u>	<u>111</u>

Bank loans consist of hire purchase creditors of £357k and a term loan of £4,400k with Shawbrook. Both the hire purchase and invoice discounting creditors are secured against the assets of Medica Packaging Limited with cross charges over the assets of fellow group company Appleseed Bidco Limited. Interest is charged on hire purchase creditors at a weighted average 7% and on the ID facility at 2.95% above the base rate. Weighted average monthly instalments of £15,000 are paid on hire purchase creditors.

During the year, interest on the Shawbrook term loan was charged at 5.25% above the base rate with monthly capital instalments of £80,000 and a final instalment of £2,000,000. Following negotiations with the facility provider, the Company repaid the sum of £1,700,000 on the term loan early on the 17 December 2020, along with revised terms. This has led to significantly reduced monthly repayments on the term loan from £80,000 to £9,565 from 1 January 2021. The loan now has 23 monthly repayments of £9,565 and a final payment of £2m in December 2022. As part of these negotiations with the facility provider, a reduction of the interest rate on the Invoice discounting facility from 2.95% above bank base rate down to 2% above bank base rate has also been secured.

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

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

	Group 2020 £000	Group 2019 £000
Bank loans	<u>702</u>	<u>882</u>

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

17. Loans

Analysis of the loans is given below:

	Group 2020 £000	Group 2019 £000
Amounts falling due within one year		
Bank loans	4,757	421
Invoice discounting creditor	2,006	1,659
	<u>6,763</u>	<u>2,080</u>
Amounts falling due 1-2 years		
Bank loans	<u>370</u>	<u>303</u>
Amounts falling due 2-5 years		
Bank loans	<u>332</u>	<u>579</u>
	<u><u>7,465</u></u>	<u><u>2,962</u></u>

As at the year end, the Group has breached it's Fixed Charge Coverage covenant over it's term with the facility provider. The balance of this loan at year end amounted to £4,400,000. This breach has not been remedied at the year end and as such, the full balance of the loan has been shown as current and due within 1 year.

Following negotiations with the facility provider, the Company repaid the sum of £1,700,000 on the term loan early on the 17 December 2020, along with revised terms. This has led to significantly reduced monthly repayments on the term loan from £80,000 to £9,565 from 1 January 2021. The loan now has 23 monthly repayments of £9,565 and a final payment of £2m in December 2022. As part of these negotiations with the facility provider, a reduction of the interest rate on the Invoice discounting facility from 2.95% above bank base rate down to 2% above bank base rate has also been secured.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

18. Deferred taxation

Group

	2020 £000
At beginning of year	236
Charged to profit or loss	(213)
At end of year	23

The deferred tax asset is made up as follows:

	Group 2020 £000	Group 2019 £000
Accelerated capital allowances	(183)	(97)
Short term timing differences	2	22
Tax losses carried forward	-	108
Losses and other deductions	205	203
	24	236

19. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
750,000 (2019 - 750,000) A Ordinary shares of £0.0088 each	6,600	6,600
750,000 (2019 - 750,000) B Ordinary shares of £0.0012 each	900	900
84,250,000 (2019 - 84,250,000) C Ordinary shares of £0.0000001 each	8	8
	7,508	7,508

All shares rank pari-passu.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

20. Reserves

The Company's capital and reserves are as follows:

Called up share capital

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

Share premium

The share premium account represents the proceeds on the issue of share capital in excess of the nominal value of the issued shares.

Share option reserve

The share option reserve represents the accumulation of the share based payment charge recognised in the Consolidated Statement of Comprehensive Income.

Profit and loss account

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

21. Share based payments

The Group has one equity-settled share-based payment arrangement in place in the current and prior year.

The details of the scheme are as follows:

	2020 No.	2019 No.
Outstanding at the beginning of the year	83,334	83,334
Granted during the year	-	-
Exercised during the year	-	-
Outstanding at the year end	83,334	83,334

The exercise price of options outstanding at the end of the year was 0.01p (2019 - 0.01p) and their weighted average contractual life was 0 years (2019 - 1 year).

Of the total number of options outstanding at the end of the year, 60,811 (2019 - 39,474) had vested and were exercisable at the end of the year.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

21. Share based payments (continued)

The following information is relevant in the determination of the fair values of the options granted during the prior year at the grant date under the equity-settled share based remuneration schemes operated by the Group.

	2019
Weighted average share price at grant date (pence)	0.01
Weighted average contractual life (months)	24
Share price at grant date (£)	4.37

Options are valued at the share price at the date of grant. This valuation method was used to value the share options as it was considered that this approach would result in a materially accurate assessment of the fair value of the share options granted.

The share-based remuneration expense comprises:

	2020 £000	2019 £000
Equity-settled schemes	73	126

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous periods.

No new share options have been granted in the current year.

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

21. Share based payments (continued)

The scheme carries the following terms and conditions:

- i) The exercise of the option shares granted are conditional upon an exit from the scheme being completed on or before the tenth anniversary of the grant date;
- ii) Where exit is before the tenth anniversary of the grant date and the option holder remains an employee of a group member, all 83,334 options are exercisable; and
- iii) In the event the option holder ceases to be employed by the Company (and not being employed by any Group member) in circumstances where the option holder is a good leaver, the options exercisable as shown below:

	Options vested
Between 1 June 2017 - 31 May 2018	19,231
Between 1 June 2018 - 31 May 2019	39,474
Between 1 June 2019 - 31 May 2020	60,811
On or after 1 June 2020	<u>83,334</u>

Under option iii, the option holder must serve an exercise notice within 30 days of notice date. If the option holder fails to serve an exercise notice within 30 days, the option will lapse.

22. Analysis of net debt

	At 1 June 2019 £000	Cash flows £000	Cash flows - repayments £000	Cash flows - new loan £000	Other non- cash changes £000	At 31 May 2020 £000
Cash at bank and in hand	262	3,881	-	-	-	4,143
Debt due after 1 year	(882)	-	223	-	(43)	(702)
Debt due within 1 year	(2,080)	-	421	(5,147)	43	(6,763)
	<u>(2,700)</u>	<u>3,881</u>	<u>644</u>	<u>(5,147)</u>	<u>-</u>	<u>(3,322)</u>

23. Contingent liabilities

There is a floating charge over the assets of the Company resulting from bank loans due from the Group's principal subsidiary company Medica Packaging Limited. At the year end the potential liability was £Nil (2019 - £2,962,000).

Appleseed Holdco Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £200,000 (2019 - £124,000). Contributions totalling £28,000 (2019 - £28,000) were payable to the fund at the reporting date and are included in creditors.

25. Commitments under operating leases

At 31 May 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £000	Group 2019 £000
Not later than 1 year	375	371
Later than 1 year and not later than 5 years	798	1,155
	<u>1,173</u>	<u>1,526</u>

26. Related party transactions

The Company has taken advantage of the exemption conferred by section 33.1A of FRS102 not to disclose transactions with other wholly owned subsidiaries within the Group.

During the year Appleseed Bidco Limited was charged £105,000 (2019 - £90,000) by Sullivan Street Partners Limited, a company in which certain directors of the Company are shareholders and directors.

Key management personnel

Key management personnel include all directors of the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group is disclosed in note 7.

27. Post balance sheet events

On the 18 December 2020, a management buyout, led by Gerard Harford and Mark Stokes and supported by Harwood Private Equity was completed acquiring Appleseed Holdco Ltd and its subsidiaries Appleseed Bidco Ltd and Medica Packaging Limited. This change the Board believe will help to ensure that Medica is able to fully capitalize on the market opportunities that are available and have the financial strength to invest further and continue to grow.

In conjunction with the completion of the management buy-out, following negotiations with the facility provider, the Company repaid the sum of £1.7m on the term loan early on the 17 December 2020, along with revised terms. This has led to significantly reduced monthly repayments on the term loan from £80,000 to £9,565 from 1 January 2021. The loan now has 23 monthly repayments of £9,565 and a final payment of £2m in December 2022. As part of these negotiations with the facility provider, a reduction of the interest rate on the Invoice discounting facility from 2.95% above bank base rate down to 2% above bank base rate has also been secured.

The board consider the above to be non-adjusting post balance sheet events.

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28. Controlling party

Appleseed Holdco Limited is ultimately controlled by the Directors.