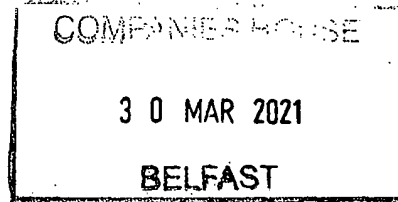


COMPANY REGISTRATION NUMBER: NI018004

HUHTAMAKI FOODSERVICE  
DELTA LIMITED

ANNUAL REPORT &  
FINANCIAL STATEMENTS

31 DECEMBER 2019



# Huhtamaki Foodservice Delta Limited

## Financial statements

Year Ended 31 December 2019

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**Huhtamaki Foodservice Delta Limited****Officers and professional advisers**

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<b>Legal Form</b>	Private Limited Company
<b>Country of Incorporation and Domicile</b>	Northern Ireland
<b>Directors</b>	Ms T Iitti Mr C Doherty Mr P Ferrand (resigned 21 June 2019) Mrs P Lavery
<b>Company Secretary</b>	Mrs P Lavery
<b>Registered Office</b>	Factory No 10 Kennedy Way Industrial Estate Blackstaff Road Belfast BT11 9DT
<b>Independent Auditors</b>	Ernst & Young LLP Bedford House 16 Bedford Street Belfast BT2 7DT
<b>Bankers</b>	Nordea Bank 6 <sup>th</sup> Floor 5 Aldermanbury Square London EC2V 7AZ  Bank of Ireland 1 Donegall Square South Belfast BT1 5LR
<b>Solicitors</b>	Tughans Marlborough House 30 Victoria Street Belfast BT1 3GS  A & L Goodbody 42 – 46 Fountain Street Belfast BT1 5EB

# Huhtamaki Foodservice Delta Limited

## Strategic report

### Year Ended 31 December 2019

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

#### Principal activities

The company is engaged in the printing and manufacturing of packaging materials.

#### Results and dividends

The 2019 financial period has contained many positives for the company including a 13% increase in revenue to £62,282,113 (2018: £54,989,861). A second factory with a new product line was opened early 2019 this had initial set-ups costs, with resultant revenues increasing later in 2019. No dividends were paid or declared in respect of the year ended 31 December 2019 (2018: £nil).

The profit and loss account for the year ended 31 December 2019 is set out on page 11 and shows a profit before taxation of £3,460,197 (2018: £4,001,410).

The business continues to focus on growing sectors within the core foodservice market, while continuing to review the cost base throughout the year. Significant capital investment has continued to be made in automation and infrastructure in order to support the future growth of our customers.

#### Key performance indicators:

	2019	2018	Comments
Turnover	£62,282,113	£54,989,861	13.3% increase in revenue growth driven by our main customers in QSR.
Gross Profit	£17,755,809	£16,117,441	Gross profit has grown in line with the turnover.
EBIT Margin	5.9%	7.2%	The addition of a new production facility with a "ramp" up has reduced margin % in 2019.

#### Future outlook

The company continues to see growth in our core business and has invested in additional machinery to grow capacity. We believe the "Food to Go" market is a growth market for 2020 and we continue to develop new products to fulfil customer demands. The coronavirus pandemic has tested the global food supply chain like never before, putting a spotlight on the importance of food safety and availability. We offer a sustainable, safe option to the end consumer and this is more important than ever in the current climate.

The directors believe the business is well placed to continue supporting its customers' growth plans and will continue to invest in capital equipment to ensure future market trends will be met.

#### Subsequent events (COVID-19)

In the period since year end, the COVID-19 pandemic has had a significant impact on the wider UK and global economy, and on the company's ability to carry out normal operations, particularly during early 2020. This impact was mitigated by the reconfiguration of some company assets, in order to produce Personal Protective Equipment. Demand for normal operations has returned to expected levels from mid-2020. The impact on going concern has been disclosed below and in note 2 to the financial statements. The Directors do not expect an impairment of fixed assets, stocks or debtors to arise.

## Huhtamaki Foodservice Delta Limited

### Strategic report *(continued)*

#### Year Ended 31 December 2019

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##### **Financial risk management objectives and policies**

The management of the business and the execution of the Company's strategy are subject to some risk.

The key business risks and uncertainties affecting the Company are considered to relate to the highly competitive nature of the market within which it operates. Other specific risks are as follows:

##### **FX Risk**

Due to raw material being mainly sourced in Euros and sales in GBP, there is an on-going risk from the value of currency. The Company enters into derivatives transactions (forward foreign currency contracts) to manage the currency risks arising from its operations.

##### **Brexit Analysis**

###### Stocking Plan

We have conducted a detailed analysis with core suppliers, both in the UK and EU, to survey their position in raw material supply. Where key supply items are currently sourced from EU we have taken steps to ensure we are carrying a minimum of one month's stock.

###### Storage

We have secured additional warehousing space to facilitate raw material stock build.

###### Port Delays

We have engaged extensively with Belfast port to understand any current risk in material movements as a result of increased paperwork. We also have a contingency option to utilise Dublin port for raw material coming from EU (to avoid port delays).

###### Customer Expectations

We have engaged extensively with our customer base to review and understand their requirements for mitigation of any Brexit impact. The majority of our customer are UK based and as such there are minimal requests for increased finished goods stock holding. Key mitigation on raw material to ensure continuity of supply is outlined per above.

The Company's policy is to finance working capital or fixed assets investment through retained earnings or through borrowings at prevailing market interest rates. Since the counterparty to all borrowings is a group company, there are minimal credit and liquidity risks as regards these transactions.

## Huhtamaki Foodservice Delta Limited

### Strategic report *(continued)*

### Year Ended 31 December 2019

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#### Section 172(1) Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414 of The Companies Act 2006:

- Customers – The Company maintains open and honest communications with customers, holding regular meetings to ensure delivery against expectations. Regular interaction provides an environment where issues can be resolved and business development progressed efficiently.
- Employees - the company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them and on the performance of the company as a whole. This is achieved through formal and informal meetings, newsletters and emails. An employee survey gathers employees' views and opinions, which further inform company decisions on matters affecting them.
- The company operates an equal opportunity policy. It is company policy that training, career development and promotion is consistent and fair for all employees, irrespective of sex, race, religion, age or disability. The employment of disabled people is encouraged where possible, subject to the limitations placed upon the company by the nature of its business activities.
- Suppliers – collaboration and partnership are also fundamental to our supply chain relationships and there are established ongoing communication mechanisms with preferred suppliers and other supply chain partners. The Company strives to adhere to good payment practices. The Company works closely with its suppliers, maintaining regular communication in order to resolve issues in a timely manner and prevent delays in payment terms.
- Shareholders – regular sharing of strategy and performance with the parent company Huhtamaki Oyj, takes place throughout the year. There is a clear understanding of shareholder needs and the wider Huhtamaki group strategy is reflected in Company decision making.
- Communities and the Environment – our culture is supportive of ongoing engagement by our employees with the communities in which they live and engage. We encourage charitable fund raising and volunteering at all levels of the organisation.

#### Approval

This report was approved by the board of directors on *29 March 2021* and signed on behalf of the board by:

  
Mrs P Lavery  
Director

Registered office:  
Factory No 10  
Kennedy Way Industrial Estate  
Blackstaff Road  
Belfast  
BT11 9DT

## Huhtamaki Foodservice Delta Limited

### Directors' report *(continued)*

#### Year Ended 31 December 2019

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##### Directors' Report

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

##### Directors

The directors who served the company during the period were as follows:

Ms T Iitti  
Mr C Doherty  
Mr P Ferrand (resigned 21 June 2019)  
Mrs P Lavery

##### Dividends

The directors do not recommend the payment of a dividend (2018 - £Nil).

##### Employment of disabled persons

The company maintains a policy of offering equal opportunity to disabled persons in recruitment, training and career development, having due regard to their aptitudes and abilities in relation to the jobs available.

##### Research and development

The company recognises the importance of its research and development programme, which it believes is essential to ensure that the business continues to produce the highest quality product for its customers.

##### Health and safety

The company is committed to ensuring the physical and mental health and safety of all employees. The company maintains a policy of reviewing the safety of our manufacturing plants and engaging with employees to present their suggestions and views on the company's performance.

##### Environmental

The company recognises its social responsibility of minimising its carbon footprint. The company regularly reviews its waste policy and to ensure it is dealing with its waste in the most responsible way.

##### Going concern

The directors have considered the potential impact of COVID-19 on the Company's financial performance and cash flows for the next 12 months, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions. These financial forecasts and sensitivities show the Company is expected to continue to be cash generative taking account of possible changes in trading performance as a result of COVID-19. However, the Company's cash balances are managed through a cash pooling arrangement within Huhtamaki Oyj group. Consequently, the ability of the Company to continue as a going concern is reliant on the Huhtamaki Oyj group continuing as a going concern and providing financial support through this cash pooling arrangement. Huhtamaki Oyj has confirmed that it will continue to provide financial support to the Company for at least the next 12 months. The directors are satisfied that the Huhtamaki Oyj group has sufficient cash and liquidity to provide this support. In particular, both the directors of the company and those of the Huhtamaki Oyj group have considered the impact of COVID-19 on the financial performance and cash flows of the Huhtamaki Oyj group, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions, and which indicate the Huhtamaki Oyj group is expected to continue to be cash generative and meet its obligations as they fall due for at least the next 12 months. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Huhtamaki Foodservice Delta Limited

### Directors' report *(continued)*

#### Year Ended 31 December 2019

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##### **Employee involvement**

During the period, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

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

The directors are responsible for preparing the strategic report, 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

##### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.



## Huhtamaki Foodservice Delta Limited

### Directors' report *(continued)*

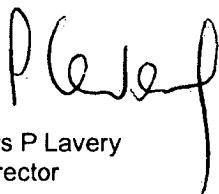
#### Year Ended 31 December 2019

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##### Auditor

KPMG have been appointed as auditor to Huhtamaki Oyj, the Company's ultimate parent company and KPMG were also appointed as auditors for the Company for the year ended 31 Dec 2020.

This report was approved by the board of directors on *29 March 2021* and signed on behalf of the board by:



Mrs P Lavery  
Director

Registered office:  
Factory No 10  
Kennedy Way Industrial Estate  
Blackstaff Road  
Belfast  
BT11 9DT

## Huhtamaki Foodservice Delta Limited

### Independent auditor's report to the shareholders of Huhtamaki Foodservice Delta Limited

Year Ended 31 December 2019

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#### Opinion

We have audited the financial statements of Huhtamaki Foodservice Delta Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 28 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

#### Basis for opinion

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

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

- 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 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.

## **Huhtamaki Foodservice Delta Limited**

### **Independent auditor's report to the shareholders of Huhtamaki Foodservice Delta Limited**

**Year Ended 31 December 2019**

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#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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.

## Huhtamaki Foodservice Delta Limited

### Independent auditor's report to the shareholders of Huhtamaki Foodservice Delta Limited

Year Ended 31 December 2019

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#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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 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.

Ernst + Young LLP

Michael Christie (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Belfast  
30 March 2021

# Huhtamaki Foodservice Delta Limited

## Statement of Comprehensive Income

31 December 2019

		Year to 31 Dec 19 £	Year to 31 Dec 18 £
<b>Turnover</b>	<b>3</b>	<b>62,282,113</b>	54,989,861
Cost of sales		<u>(44,526,304)</u>	<u>(38,872,420)</u>
<b>Gross profit</b>		<b>17,755,809</b>	16,117,441
Distribution costs		<u>(2,745,290)</u>	<u>(2,234,371)</u>
Administrative expenses		<u>(12,175,190)</u>	<u>(10,708,403)</u>
Other operating income	<b>4</b>	<u>911,531</u>	<u>810,982</u>
<b>Operating profit</b>		<b>3,746,860</b>	3,985,649
Other interest receivable and similar income	<b>9</b>	<u>22,087</u>	15,761
Interest payable and similar charges	<b>10</b>	<u>(308,750)</u>	–
<b>Profit before taxation</b>		<b>3,460,197</b>	4,001,410
Tax expense	<b>11</b>	<u>(454,274)</u>	<u>(705,327)</u>
<b>Profit for the financial year</b>		<b><u>3,005,923</u></b>	<b><u>3,296,083</u></b>
<b>Other comprehensive income:</b>			
Gains on cash flow hedges recycled to profit and loss		–	<u>(87,240)</u>
<b>Total comprehensive income</b>		<b><u>3,005,923</u></b>	<b><u>3,208,843</u></b>

The results are derived from continuing activities.

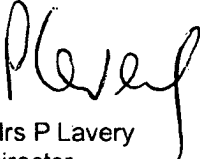
# Huhtamaki Foodservice Delta Limited

## Balance Sheet

31 December 2019

	Note	31 Dec 19 £	31 Dec 18 £
<b>Fixed assets</b>			
Intangible assets	12	216,878	240,084
Tangible assets	13	24,078,086	20,533,958
Right of use assets	13	8,196,231	—
Investments	14	56,361	56,361
		<u>32,547,556</u>	<u>20,830,403</u>
<b>Current assets</b>			
Stocks	15	8,221,549	6,180,143
Debtors	16	15,590,500	18,102,264
Cash at bank and in hand	17	3,925,863	2,298,867
		<u>27,737,912</u>	<u>26,581,274</u>
<b>Creditors: Amounts falling due within one year</b>	18	<u>(15,135,846)</u>	<u>(13,481,267)</u>
<b>Net current assets</b>		<u>12,602,066</u>	<u>13,100,007</u>
<b>Total assets less current liabilities</b>		<u>45,149,622</u>	<u>33,930,410</u>
<b>Creditors: Amounts due within more than one year</b>			
Provisions for liabilities	19	(1,198,533)	(1,228,920)
Government grants	20	(2,017,224)	(2,263,291)
Lease liabilities	13	(9,019,595)	—
<b>Net assets</b>		<u>32,914,270</u>	<u>30,438,199</u>
<b>Capital and reserves</b>			
Called up share capital	21	10	10
Capital redemption reserve	22	1,008,800	1,008,800
Profit and loss account	22	31,905,460	29,429,389
<b>Shareholders' funds</b>		<u>32,914,270</u>	<u>30,438,199</u>

These financial statements were approved by the board of directors and authorised for issue on 29 March 2021 and are signed on behalf of the board by:

  
Mrs P Lavery  
Director

Company registration number: NI018004

## Huhtamaki Foodservice Delta Limited

### Statement of changes in equity

31 December 2019

	Share Capital £	Capital Redemption Reserve £	Cashflow Hedging Reserve £	Profit and Loss Account £	Total Shareholder s' Funds £
At 1 January 2018	10	1,008,800	87,240	26,133,307	27,229,357
Profit for the period	–	–	–	3,296,083	3,296,083
Other comprehensive income	–	–	(87,240)	–	(87,240)
Total comprehensive income for the year	–	–	–	3,296,083	3,208,843
At 31 December 2018	10	1,008,800	–	29,429,390	30,438,200
At 1 January 2019	10	1,008,800	–	29,429,390	30,438,200
Effect of change in accounting policy (IFRS 16)	–	–	–	(529,853)	(529,853)
Profit for the period	–	–	–	3,005,923	3,005,923
<b>Total comprehensive income for the year</b>	–	–	–	3,005,923	3,005,923
<b>At 31 December 2019</b>	<b>10</b>	<b>1,008,800</b>	<b>–</b>	<b>31,905,460</b>	<b>32,914,270</b>

The notes on pages 14 to 33 form part of these financial statements.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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#### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Huhtamaki Foodservice Delta Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on the date shown on the balance sheet and signed on the board's behalf by P Lavery. Huhtamaki Foodservice Delta Limited is incorporated and domiciled in Northern Ireland. The registered address is 10 Kennedy Way Industrial Estate, Blackstaff Road, Belfast, BT11 9DT.

#### 2. Accounting policies

The principal accounting policies adopted by the Company are set out below. These policies have been consistently applied to all years presented.

##### Going concern

The directors have considered the potential impact of COVID-19 on the Company's financial performance and cash flows for the next 12 months, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions. These financial forecasts and sensitivities show the Company is expected to continue to be cash generative taking account of possible changes in trading performance as a result of COVID-19. However, the Company's cash balances are managed through a cash pooling arrangement within Huhtamaki Oyj group. Consequently, the ability of the Company to continue as a going concern is reliant on the Huhtamaki Oyj group continuing as a going concern and providing financial support through this cash pooling arrangement. Huhtamaki Oyj has confirmed that it will continue to provide financial support to the Company for at least the next 12 months. The directors are satisfied that the Huhtamaki Oyj group has sufficient cash and liquidity to provide this support. In particular, both the directors of the company and those of the Huhtamaki Oyj group have considered the impact of COVID-19 on the financial performance and cash flows of the Huhtamaki Oyj group, including modelling sensitivities that consider the risk of reductions in revenues due to more adverse trading conditions, and which indicate the Huhtamaki Oyj group is expected to continue to be cash generative and meet its obligations as they fall due for at least the next 12 months. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.



## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

Year Ended 31 December 2019

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

##### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* ('FRS 100'), Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101') and in accordance with the Companies Act 2006.

The financial statements have been prepared under the historical cost convention and on a going concern basis. The financial statements are presented in Pounds Sterling (£). The amounts have been rounded to the nearest £, except where otherwise indicated.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- the requirement in paragraph 30 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a) (iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment; and paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 10(d), 16, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraphs 110, 113 (a), 114, 118, 119 (a) - (c), 120 – 127, 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- IAS 24 disclosure of related party transactions with other wholly owned members of the group headed by Huhtamaki OYJ.
- the requirement for a lessee to provide all lease disclosures in a single note or separate section in its financial statements (paragraph 52);
- a lessee's maturity analysis of lease liabilities, separately from that of other financial liabilities (paragraph 58) provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

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

- The requirements of IFRS 7 Financial instruments: Disclosures;
- The requirements of paragraphs 91-99 of IFRS 13 Fair value measurement; and

#### Changes in Accounting Policies – New Standards

The company applied IFRS 16 'Leases' for the first time in 2019. Details of the new accounting policies applied under this standard are set out below.

IFRS 16 replaces IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The main effect on the company is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases.

The Company transitioned to IFRS 16 in accordance with the modified retrospective approach as if IFRS 16 had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Accordingly, the Company has not restated comparative figures but has instead recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application, 1 January 2019

Impact on the Company's balance sheet as at 1 January 2019:

	2019
<b>Assets</b>	
Right of use asset	6,750,626
<b>Liabilities</b>	
Lease liabilities	(8,225,346)
Reversal of IAS 17 Rent Based Accruals	836,343
Deferred Tax Impact at 1 Jan 2019	108,524
<b>Net impact on equity</b>	<b>(529,853)</b>

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

<b>Operating lease commitments as at 31 December 2018</b>	<b>(11,682,890)</b>
Add commitments relating to short term leases	-
	<b>(11,682,890)</b>
Weighted average incremental borrowing rate as at 1 January 2019	3.64%
<b>Discounted operating lease commitments as at 1 January 2019</b>	<b>8,225,346</b>
<b>Lease liabilities as at 1 January 2019</b>	<b>(8,225,346)</b>

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

##### **Judgements and key sources of estimation uncertainty**

The preparation of the Company's financial information under FRS 101 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the course of preparing the Company's financial statements the following judgements have been made in the process of applying the Company's accounting policies:

##### Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) and when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating). Further details of the assessed IBR is provided above.

The following judgements involving estimates have had the most significant effect on amounts recognised in the financial statements.

##### Source of estimation uncertainty

##### Useful lives of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management's judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and the carrying amounts of property, plant and equipment would reduce accordingly. The currently assessed useful economic lives are set out below. The carrying amount of property, plant and equipment by each class is included in note 13.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

##### Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. The company has concluded that it is the principal in its revenue arrangements as it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods is recognised at the point in time when the control of the asset is transferred to the customer, in general on delivery of goods. While the performance obligation is satisfied upon delivery of the goods, payment is generally due within 30-120 days from delivery. The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated, including extended warranty arrangements. The company also considers the effects of variable consideration and the existence of any significant financing components.

All revenue recognised in the year relates to performance obligations satisfied in the year.

The Company has not material contract assets or liabilities other than trade debtors as disclosed in note 16.

##### Income and deferred taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on investments in subsidiaries and jointly controlled entities where the company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

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

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

##### Intangible assets - Computer software

Computer software is carried at cost less accumulated amortisation and any provision for impairment. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful economic lives of 5 years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria of IAS 38 'Intangible Assets' are met.

##### Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less accumulated depreciation and impairment losses.

##### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and building	-	5% straight line
Plant and machinery	-	6.7% - 10% straight line
Fixtures and fittings	-	15% - 33% straight line
Plates and formes	-	10% - 33% straight line

##### Leases

###### *Right of use assets*

Right of use assets are recognised at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any subsequent remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight line basis over the shorter of the useful life and the lease term of [insert periods]. Right of use assets are subject to impairment.

###### *Lease Liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease or the Company's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments). Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

###### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *Prior year leases*

Rentals payable under operating leases were charged in the income statement on a straight-line basis over the lease term. Lease incentives were recognised on the same basis over the lease term, with the difference between amounts charged to the profit and loss account and the amounts payable in future periods recognised as deferred rents within creditors.

##### **Investments**

Investments in associate companies are carried at cost less any provision for losses arising on impairment.

##### **Stocks**

Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

##### **Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

##### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at transaction price, in line with related revenue recognition criteria. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Financial assets at amortised cost are subsequently measured using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the asset is derecognised.

The Company's financial assets at amortised cost includes include cash at bank and in hand, trade debtors and amounts owed by group undertakings.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debtors, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or derivatives designed as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments (forward currency contracts).

The measurement of financial liabilities classified as interest bearing loans and borrowings is as follows:

- After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.
- Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

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 de-recognition 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 the income statement.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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

##### Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts and options to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value, with changes in fair value recognised within the income statement unless the derivative is designated as a cash flow hedge. In the case of derivatives designated as a cash flow hedge, the effective portion of changes in the fair value that are designated and qualify as cash flow hedges is recognised in the hedge reserve within equity through other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. At the inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, i.e. the gain or loss relating to the effective portion of the interest rate hedging contracts is recognised in profit or loss. In all cases derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of foreign currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

##### Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the company's balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

##### Defined contribution plans

Contributions to defined contribution plans are charged to profit or loss in the year to which they relate.

##### Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

##### Dividends payable

Dividends are recognised when they became legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.



# Huhtamaki Foodservice Delta Limited

## Notes to the financial statements *(continued)*

### Year Ended 31 December 2019

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

##### Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

#### 3. Turnover

Turnover arises from:

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Sale of goods	<u>62,282,113</u>	<u>54,989,861</u>

The whole of the turnover is attributable to the principal activity of the company. Geographical information has not been disclosed, as the directors consider that disclosure of such information would be seriously prejudicial to the interests of the company.

#### 4. Other operating income

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Government grant income	246,066	246,468
Other operating income – Waste Revenue	385,436	368,960
– Other	280,029	195,554
	<u>911,531</u>	<u>810,982</u>

During 2019 the company recognised income totalling £246,066 (2018: £246,468) in relation to capital grants, with a further £2,263,291 (2018: £2,509,358) included in deferred income. This government grant was received in order to assist in the funding of capital costs relating to the purchase and installation of new plant, machinery and equipment (PME), and modification and refurbishment of existing PME.

# Huhtamaki Foodservice Delta Limited

## Notes to the financial statements *(continued)*

### Year Ended 31 December 2019

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#### 5. Operating profit

Operating profit is stated after charging:

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Depreciation of tangible assets	2,571,406	2,056,670
Depreciation of ROU assets	606,429	-
Amortisation of intangible assets (included in admin expenses)	70,932	30,497
Lease charge for low value assets	5,194	-
Operating Lease Rentals under IAS 17	-	452,271
Research and development costs	<u>36,594</u>	<u>29,036</u>

#### 6. Auditor's remuneration

	Year to 31 Dec 18 £	Year to 31 Dec 18 £
Fees payable for the audit of the financial statements	<u>54,514</u>	<u>54,382</u>

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

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#### 7. Employees

The average number of persons employed by the company during the period, including the directors, amounted to:

	31 Dec 19 No.	31 Dec 18 No.
Production staff	268	241
Administrative staff	15	15
Management staff	17	17
Sales staff	11	12
Agency staff	117	69
	<u>428</u>	<u>354</u>

The aggregate payroll costs incurred during the period, relating to the above, were:

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Wages and salaries	10,866,040	9,730,894
Social security costs	866,042	811,244
Other pension costs	543,380	412,215
	<u>12,275,462</u>	<u>10,954,353</u>

The pension cost is analysed as follows:

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Defined contribution scheme	<u>543,380</u>	<u>412,215</u>

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

#### 8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Remuneration	270,932	287,522
Company contributions to defined contribution pension plans	14,573	19,982
	<u>285,505</u>	<u>307,504</u>

Remuneration of the highest paid director in respect of qualifying services:

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Aggregate remuneration	200,634	160,317
Company contributions to defined contribution pension plans	12,065	11,200
	<u>212,699</u>	<u>171,517</u>

#### 9. Interest receivable and similar income

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Intercompany interest receivable	<u>22,087</u>	<u>15,761</u>

#### 10. Interest payable and similar expenses

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Interest on lease liabilities	<u>308,750</u>	-
	<u>308,750</u>	<u>-</u>

# Huhtamaki Foodservice Delta Limited

## Notes to the financial statements *(continued)*

### Year Ended 31 December 2019

#### 11. Tax expense

##### Major components of tax expense

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
<b>Total current tax expense:</b>		
Current tax on profits for the year	347,247	657,065
Adjustments for under provision in prior periods	28,890	(18,579)
Total current income tax	<u>376,137</u>	<u>638,486</u>
<b>Total deferred tax expense:</b>		
Origination and reversal of temporary differences	78,137	67,262
Adjustments for under provision in prior periods	-	(421)
Total deferred tax	<u>78,137</u>	<u>66,841</u>
<b>Total tax expense</b>	<u>454,274</u>	<u>705,327</u>

##### Reconciliation of tax expense

The tax assessed on the profit for the period is the lower than (2018: lower) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	Year to 31 Dec 19 £	Year to 31 Dec 18 £
Profit before tax	3,460,197	4,001,410
Profit before tax by rate of tax	657,437	760,268
Adjustments to tax charge in respect of previous periods	28,890	(18,579)
Non qualifying assets	17,149	(10,381)
Effect of expenses not deductible for tax purposes	9,669	579
Group relief claimed	(229,149)	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	(421)
Income not taxable	(21,280)	(18,225)
Adjust closing/opening deferred tax to average rate of 19%	(8,442)	(7,914)
Tax on profit	<u>454,274</u>	<u>705,327</u>

##### Changes to corporation tax rates

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17% substantively enacted at the balance sheet date.

However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the deferred tax liability recognised will be an increase of £141,000.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

#### 12. Intangible assets

	Computer software £
<b>Cost</b>	
At 1 January 2019	324,161
Additions	47,727
<b>At 31 December 2019</b>	<b>371,888</b>
<b>Amortisation</b>	
At 1 January 2019	84,077
Charge for the year	70,933
<b>At 31 December 2019</b>	<b>155,010</b>
<b>Carrying amount</b>	
<b>At 31 December 2019</b>	<b>216,878</b>
At 31 December 2018	240,084

#### 13. Tangible assets

	Land and buildings £	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Plates and formes £	Total £
<b>Cost</b>						
At 1 Jan 2019	477,262	–	31,141,467	1,459,382	491,779	33,569,890
Additions	118,128	348,571	5,437,361	196,656	32,606	6,133,322
Disposals	–	(14,000)	(654,085)	–	–	(668,085)
<b>At 31 Dec 2019</b>	<b>595,390</b>	<b>334,571</b>	<b>35,924,743</b>	<b>1,656,038</b>	<b>524,385</b>	<b>39,035,127</b>
<b>Depreciation</b>						
At 1 Jan 2019	102,839	–	11,715,191	899,969	317,931	13,035,930
Charge for the year	27,026	26,524	2,235,843	153,209	128,804	2,571,406
Disposals	–	–	(650,295)	–	–	(650,295)
<b>At 31 Dec 2019</b>	<b>129,865</b>	<b>26,524</b>	<b>13,300,739</b>	<b>1,053,178</b>	<b>446,735</b>	<b>14,957,041</b>
<b>Carrying amount</b>						
<b>At 31 Dec 2019</b>	<b>465,525</b>	<b>308,047</b>	<b>22,624,004</b>	<b>602,860</b>	<b>77,650</b>	<b>24,078,086</b>
At 31 Dec 2018	374,423	–	19,426,276	559,413	173,848	20,533,960

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

#### 13. Tangible assets *(continued)*

##### Right of use assets

The Company has entered into commercial leases on certain properties and motor vehicles. These leases have an average duration of between 3 and 10 years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

There were no leases not yet commenced that were committed at 31 Dec 2019. There were no residual value guarantees in place.

	Land and buildings £	Motor vehicles £	Total £
At 1 Jan 2019	7,468,517	68,402	7,536,919
Contract modification	2,039,764	–	2,039,764
Additions	–	12,270	12,270
Disposals	–	(19,005)	(19,005)
<b>At 31 Dec 2019</b>	<b>9,508,281</b>	<b>61,667</b>	<b>9,569,948</b>
<b>Depreciation</b>			
At 1 Jan 2019	751,735	34,559	786,294
Charge for the year	586,000	20,429	606,429
Disposals	–	(19,005)	(19,005)
<b>At 31 Dec 2019</b>	<b>1,337,735</b>	<b>35,983</b>	<b>1,373,718</b>
<b>Carrying amount</b>			
<b>At 31 Dec 2019</b>	<b>8,170,546</b>	<b>25,685</b>	<b>8,196,230</b>

Set out below are the carrying amounts of lease liabilities and the movements during year:

	2019 £
On adoption of IFRS 16	8,225,346
Contract modifications	2,039,764
Contract Additions	12,271
Interest on lease liabilities	308,750
Payments	(308,571)
At 31 December:	
Current	1,257,965
Non-current	9,019,595
	<u>10,277,560</u>

The Company had total cash outflows for leases of £313,765 in 2019. Included in the amount of non-current lease liabilities above is £Nil which is payable in more than five years.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

#### 13. Tangible assets *(continued)*

The following amounts have been expensed to the profit and loss account:

	2019 £
Leases of low value assets	5,194

#### 14. Investments

	Investment in associate £
Cost and carrying amount at 31 December 2019 and 31 December 2018	<u>56,361</u>

#### Associated undertakings

	Country of incorporation	Class of share	Percentage of shares held	Nature of Business
<b>Associated undertakings</b>				
P4CK Limited	England	Ordinary shares	32	Printing and packaging

In 2019 the net asset position of the investment company was £11,189 (2018: £34,717) and the profit after tax was £36,182 (2018: £32,918).

#### 15. Stocks

	31 Dec 19 £	31 Dec 18 £
Raw materials	1,444,705	1,526,913
Work in progress	1,109,069	1,328,943
Finished goods	5,667,775	3,324,287
	<u>8,221,549</u>	<u>6,180,143</u>

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



# Huhtamaki Foodservice Delta Limited

## Notes to the financial statements *(continued)*

### Year Ended 31 December 2019

#### 16. Debtors

	31 Dec 19 £	31 Dec 18 £
Trade debtors	9,942,907	9,458,663
Amounts owed by group undertakings	3,228,155	6,284,376
Prepayments and accrued income	2,419,438	2,085,302
Other debtors	—	273,923
	<u>15,590,500</u>	<u>18,102,264</u>

Included in amounts owed by group undertakings in 2019 are other deposits of £2.9 million (2018: £6.1 million), which are receivable on demand. Interest receivable on this is at a market rate.

The debtors above include the following amounts falling due after more than one year, £Nil (2018: £Nil).

#### 17. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 Dec 19 £	31 Dec 18 £
Cash at bank and in hand	<u>3,925,863</u>	<u>2,298,867</u>

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

	31 Dec 19 £	31 Dec 18 £
Trade creditors	7,578,914	7,414,380
Accruals and deferred income	2,375,375	3,215,290
Corporation tax	457,471	495,775
Social security and other taxes	1,093,503	967,172
Other creditors	474,859	5,797
Amounts owed to group undertakings	1,897,760	1,382,853
Lease liability (note 13)	1,257,964	—
	<u>15,135,846</u>	<u>13,481,267</u>

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

#### 19. Provision for liabilities

Details of the deferred tax liability:

	2019 £	2018 £
At 1 January	1,228,920	1,162,079
At 1 January – Impact of Adoption of IFRS 16	(108,524)	
Movement for year	78,137	66,841
At 31 December	<u>1,198,533</u>	<u>1,228,920</u>

The deferred tax account consists of the tax effect of temporary differences in respect of:

	2019 £	2018 £
Accelerated capital allowances	1,366,406	1,204,031
Right of Use Assets and Leases	(102,140)	
Short term temporary differences	(65,733)	24,889
	<u>1,198,533</u>	<u>1,228,920</u>

#### 20. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	31 Dec 19 £	31 Dec 18 £
Recognised in creditors: due within one year		
Deferred government grants	<u>246,067</u>	<u>246,067</u>
Recognised in creditors: due within more than one year		
Deferred government grants	<u>2,017,224</u>	<u>2,263,291</u>
Recognised in other operating income:		
Government grant income	<u>246,067</u>	<u>246,468</u>

#### 21. Called up share capital

Allocated, called up and fully paid

	31 Dec 19		31 Dec 18	
	No.	£	No.	£
A Ordinary shares of £0.10 each	<u>100</u>	<u>10</u>	<u>100</u>	<u>10</u>

#### 22. Reserves

Capital Redemption Reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and Loss Account - This reserve records retained earnings and accumulated losses.

## Huhtamaki Foodservice Delta Limited

### Notes to the financial statements *(continued)*

#### Year Ended 31 December 2019

#### 23. Derivative financial instruments

The Company had forward currency hedging contracts outstanding at 31 December 2019 of £470,854, which are included within other creditors (2018: other debtors £273,922).

#### 24. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	31 Dec 19	31 Dec 18
	£	£
Tangible assets	<u>408,622</u>	<u>2,519,063</u>

#### 25. Operating leases

The total future minimum lease payments under non-cancellable operating leases were follows:

	Land and Buildings	Other
	31 Dec 18	31 Dec 18
	£	£
Not later than one year	460,938	16,678
Later than one year and not later than five years	3,185,000	14,336
Later than 5 years	8,005,938	–
	<u>11,651,876</u>	<u>31,014</u>

#### 26. Contingencies

A contingent liability exists to repay government grants received, should certain conditions cease to be fulfilled. The company has received financial assistance from Invest Northern Ireland.

#### 27. Controlling party

The Company's immediate parent company is Huhtamaki Finance Limited, incorporated in England and Wales.

The Company is a subsidiary of Huhtamaki Oyj, incorporated in Finland, which is considered to be the ultimate parent company and controlling party. The only group in which the results of the Company are consolidated is that headed by Huhtamaki Oyj. The consolidated financial statements of this company are available to the public and may be obtained from Huhtamaki Oyj, Miestentie 9, FI-02150 Espoo, Finland.

#### 28. Post Balance Sheet Events

In the period since year end, the COVID-19 pandemic has had a significant impact on the wider UK and global economy, and on the company's ability to carry out normal operations, particularly during early 2020. This impact was mitigated by the reconfiguration of some company assets, in order to produce Personal Protective Equipment. Demand for normal operations has returned to expected levels from mid-2020. The impact on going concern has been disclosed below and in note 2 to the financial statements. The Directors do not expect an impairment of fixed assets, stocks or debtors to arise.