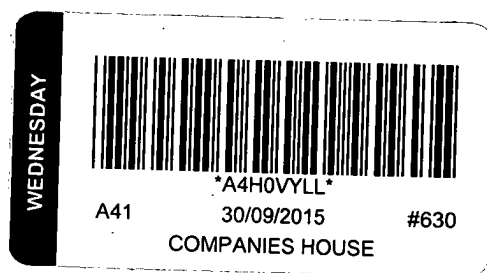


Valpak Holdings Limited

Consolidated Financial Statements

for the year ended 31 December 2014

Registered Number: 07597708



Valpak Holdings Limited

Registered No: 07597708

Corporate information

Directors

The Rt Hon John Gummer Lord Deben
Steve Gough
Philip Gale
Adrian Hawkes
Gerald Orbell
Martin Webb
Philippe von Stauffenberg
Thomas Scriven
Maury Shenk

Secretary

Philip Gale

Auditors

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors

Shoosmiths LLP
2 Colmore Square
38 Colmore Circus Queensway
Birmingham
B4 6SH

Registered Office

Stratford Business Park
Banbury Road
Stratford-upon-Avon
CV37 7GW

Valpak Holdings Limited

Strategic report

The directors present their strategic report and audited financial statements for the year ended 31 December 2014.

Business review

The Group maintained its position as the UK's most prominent producer responsibility compliance scheme operator, delivering cost effective compliance whilst ensuring scheme members' legal obligations were met to the highest standards.

Turnover has reduced by £29.0 million to £53.0 million as the cost of obtaining PRN evidence (packaging waste recovery notes) in support of our packaging scheme has reduced. I reported last year that Valpak's consultancy team produced a Glass Flow report, in conjunction with WRAP and the ACP, which led to glass business targets being reduced from 81% to 75%. As a direct consequence average glass PRN prices fell by over 45% during 2014. PRN prices have, on average, returned to 2012 levels.

Valpak's consultancy team was also responsible for producing a Plastics Flow report in conjunction with WRAP which provided evidence for reducing the estimated flow of plastic packaging on to the UK market. A decision from Defra is not expected before the March 2015 Budget.

Valpak has also completed a Metals Flow report for WRAP which is currently being reviewed.

2014 was the first trading year operating under the recast WEEE Directive. We were able to meet our members' obligations entirely through contracted collections. This was a testament to good working relationships with all stakeholders, in particular Local Authorities and other compliance schemes.

Valpak is pleased that the Consultation on amendments to the Government Guidance Notes on the Waste Batteries and Accumulators Regulations 2009 has been released. This consultation should address concerns regarding the definition of "portable" batteries and should also begin to result in an increase in the collection of non-lead acid batteries. However, we remain of the opinion that further measures are likely to be required to fully address this issue in future.

The Group made a profit after tax of £3.1 million during the period (2013: £2.0 million). All business units showed growth during the year with the contribution from consulting services ancillary to the compliance schemes growing in importance. Data Solutions continued its significant growth rate with the business unit now responsible for 3.2 million product lines, an 8% growth from the previous year. These 3.2 million product lines form the EPIC database which has been driving the growth in Data Solutions. International and Environmental Compliance also experienced strong growth in 2014 and we are anticipating up to 1,000 data submissions will be managed by the end of 2015. Tight overhead control has also had a significant impact on the company's profitability.

I am delighted to announce that our 2014 annual customer satisfaction survey has revealed overall customer satisfaction of 96% and a "very satisfied" customer satisfaction of 52%, its highest level since the survey started in 2006. These results are a testament to the quality and expertise of our staff.

We continue to operate the UK's WEEE Distributor Takeback Scheme on behalf of the Department for Business, Innovation and Skills (BIS). We have successfully operated this scheme since its inception in 2006.

The directors consider that the key performance indicators relate to reputation risk to the Company, its shareholders and its customers.

Valpak Holdings Limited

Strategic report (continued)

Principal risks and uncertainties

In pursuing the achievement of its business plans and objectives, the Group accepts that it is exposed to risks and potential opportunities. The Group is committed to maintaining a rigorous and systematic approach to identifying, assessing and reporting on these risks. Through internal control and risk management systems, centred on the Risk Assurance Group, effective risk management is embedded in the day-to-day management of the business at every level.

The board has overall responsibility for risk management and internal control within the context of achieving the company's objectives.

Strategic risks

Our strategy is based upon expanding from our position as the leading provider of Producer Responsibility compliance, to become a successful provider of dependable, innovative and ethical recycling and waste management solutions. As the business continues to diversify and enters into new areas of compliance, the overall risk of the group reduces by avoiding reliance on our core packaging compliance business. However, by its very nature, diversification also introduces new risks to be managed.

Reputational risks

As the UK's largest producer responsibility compliance scheme, expectations of the Group are high. We also give high priority to protecting our scheme members' and customers' reputation. Failure to protect our reputation, or that of our scheme members' and customers', could lead to a loss of trust and confidence.

We engage with the reprocessing industry to ensure that secondary raw material is correctly treated and ethically exported. We also engage with our scheme members and other stakeholders to ensure that our strategy reflects their views.

Legislative risks

Valpak's compliance business is regulated by the UK's environment agencies and our waste recycling businesses have to comply with exacting standards from UK government and the Chinese authorities. These standards are subject to continual revision and any new Directive may have a material impact on the ability of the group to operate.

We have a policy department that is in regular contact with central and local government departments ensuring that the views of our scheme members are represented and contributing to changes in regulations and statutory guidance.

Competitive risks

We compete in the packaging, WEEE and batteries producer responsibility compliance markets based upon price, quality, service, reputation and reliability. We regularly communicate with our scheme members to ensure that we remain competitive and are meeting their expectations. Additional environmental consulting service offerings, including data solutions and international compliance, help to differentiate us from the competition.

The waste recycling industry is highly competitive with new players constantly entering the market. We aim to differentiate ourselves by providing a best in class full audit trail of dry recyclate to the end markets in continental Europe and the Far East, providing our customers with a level of assurance regarding the efficacy of end markets for materials.

Valpak Holdings Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity risks

The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. The Company is party to a Composite Accounting System between Barclays Bank Plc and the Company and its subsidiary companies. The Company has established a £2 million money market loan with its bankers.

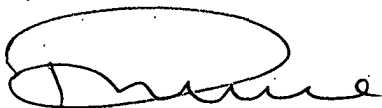
Credit risks

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Group's receivables are shown on the face of the balance sheet.

IT systems and infrastructure

The business is dependent on highly efficient IT systems. Any significant failure therein would impact on our ability to function as a compliance business. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and continually invest in IT innovation to improve our service offering to our customers and staff. We are currently working towards certification under ISO27001: Information Security Management.

By order of the board



Philip Gale
Director
26 March 2015

Valpak Holdings Limited

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2014.

Directors of the Company

The current directors are shown on page 1. At 31 December 2014 the directors' interest in the issued share capital of the Company was as follows: Lord Deben 19.5%, Steve Gough 19.1%, Philip Gale 9.5% and Adrian Hawkes 4.8%.

Dividends

No dividends were paid during the period (2013: £nil).

Principal activities

The core business delivers compliance services within the regulated arena of Producer Responsibility, in particular packaging waste, WEEE and waste batteries. In support of the compliance schemes we have a market leading data management services operation which, in addition to assisting members with their data submissions in the UK, is helping companies comply with environmental legislation in continental Europe and other non EU countries.

Other important business activities include an environmental consultancy arm based in Glasgow and a recycling services arm which offers a total waste management solution to businesses.

Future developments

The Group intends to maintain its position as the UK's most prominent producer responsibility compliance scheme operator, delivering cost effective compliance whilst ensuring scheme members' legal obligations are met to the highest standards. We will continue to develop environmental consulting services in support of the compliance schemes.

Financial instruments

The Group finances its activities through cash and short term deposits, as disclosed in note 15. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities.

Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out above, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Carbon footprint

The Group continues to measure and reduce its carbon footprint in accordance with PAS 2060:2010 (Specification for the Demonstration of Carbon Neutrality). We remain committed to carbon neutrality and as such we invest in carbon reducing projects to offset our residual carbon.

Employee involvement

Key to our success is ensuring that we attract, retain and motivate the best people with the right skill sets throughout the organisation. We have developed a key account manager programme which is being extended to all customer facing employees.

Valpak Holdings Limited

Directors' report (continued)

Employee involvement (continued)

We have a personal development programme which helps individuals achieve their full potential. We also offer our staff a highly competitive pay and benefits package which includes a variable bonus incentive plan. In addition, we carry out succession planning to ensure that the needs of the business going forward are considered and provided for.

It is the Group's policy to keep employees fully informed of developments. Regular briefing meetings are held to ensure all members of staff are aware of current group activities and are able to participate in policy development.

Employees can also participate in the success of the business through the share option scheme.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives have been considered together with the financial position of the company, its principal risks and uncertainties and available borrowing facilities.

The Company has adequate financial resources and as a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Political and charitable contributions

The group has not made any political contributions during the period.

A contribution of £10,000 was made to the Shakespeare Birthplace Trust. In addition, the employees personally raised £2,500 for Birmingham Children's Hospital through various fund raising events.

Supply payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the board at the Annual General Meeting.

Valpak Holdings Limited

Directors' report (continued)

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



Philip Gale
Director
26 March 2015

Valpak Holdings Limited

Statement of Directors' responsibilities

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 year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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 estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors listed on page 1 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the board



Philip Gale
Director
26 March 2015

Independent auditors' report
To the members of Valpak Holdings Limited

We have audited the financial statements of Valpak Holdings Limited for the period to 31 December 2014 which comprises the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statements, the Consolidated Statement of Changes in Equity and related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2014 and of the Group's profit for the period ended 31 December 2014;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Independent auditors' report (continued)
To the members of Valpak Holdings Limited

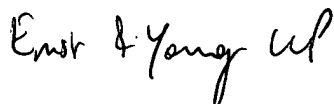
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
27 March 2015

Valpak Holdings Limited

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Revenue	4	53,093	82,122
Cost of sales		(41,626)	(71,894)
Gross profit		11,467	10,228
Administrative expenses		(7,634)	(8,002)
Operating profit	6	3,833	2,226
Finance income	7	72	19
Profit before tax		3,905	2,245
Income tax expense	9	(823)	(216)
Profit for the financial period	21	3,082	2,029

The Group has no recognised gains or losses other than the results shown in the Income Statement. All revenue is derived from continuing operations.

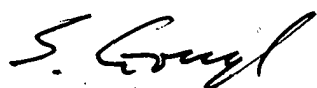
Valpak Holdings Limited

Group Balance Sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	10	1,739	1,597
Intangible fixed assets	11	568	568
		2,307	2,165
Current assets			
Inventories	13	1,028	1,046
Trade and other receivables	14	4,773	8,295
Income tax receivable	9	-	169
Deferred tax asset	9	-	3
Cash and short-term deposits	15	13,126	9,971
		18,927	19,484
Total assets		21,234	21,649
Current liabilities			
Trade and other payables	16	(13,874)	(17,922)
Borrowings	17	-	(250)
Income tax payable	9	(654)	-
Deferred tax liability	9	(147)	-
		(14,675)	(18,172)
Net current assets		4,252	1,312
Total liabilities		(14,675)	(18,172)
Net assets		6,559	3,477
Equity			
Called up share capital	20	8	8
Share premium account	20	742	742
Capital contribution	20	700	700
Retained earnings	21	5,109	2,027
Total equity		6,559	3,477

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



Steve Gough
Director
26 March 2015
Company Number: 07597708

Valpak Holdings Limited

Company Balance Sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Investments in subsidiaries	12	2,364	2,364
		2,364	2,364
Current assets			
Cash and short-term deposits	15	394	394
		394	394
Total assets		2,758	2,758
Current liabilities			
Trade and other payables	16	-	(22)
Borrowings	17	-	(250)
Income tax payable	9	(15)	-
		(15)	(272)
Net current assets		379	122
Liabilities falling due after more than one year			
Amounts due to group undertakings	18	-	(1,303)
		-	(1,303)
Total liabilities		(15)	(1,575)
Net assets		2,743	1,183
Equity			
Called up share capital	20	8	8
Share premium account	20	742	742
Capital contribution	20	700	700
Retained earnings	21	1,293	(267)
Total equity		2,743	1,183

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



Steve Gough
Director
26 March 2015
Company Number: 07597708

Valpak Holdings Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the parent				
	Issued capital (note 20) £000	Share premium (note 20) £000	Capital contribution (note 20) £000	Retained earnings (note 21) £000	Total £000
At 31 December 2012	8	742	700	(2)	1,448
Profit for the period	-	-	-	2,029	2,029
At 31 December 2013	8	742	700	2,027	3,477
Profit for the period	-	-	-	3,082	3,082
At 31 December 2014	8	742	700	5,109	6,559

Valpak Holdings Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash flows from operating activities			
Cash generated from operating activities	23	3,500	4,041
Interest received		72	19
Income tax received		150	169
Net cash generated from operating activities		3,722	4,229
Cash flows from investing activities			
Purchase of property, plant and equipment		(317)	(64)
Proceeds from disposal of property, plant and equipment		-	1
Net cash used in investing activities		(317)	(63)
Cash flows from financing activities			
Proceeds from borrowings		(250)	250
Net cash (used in) / generated from financing activities		(250)	250
Net increase in cash and cash equivalents		3,155	4,416
Net opening cash and cash equivalents		9,971	5,555
Net closing cash and cash equivalents	15	13,126	9,971

Valpak Holdings Limited

Notes to the financial statements

at 31 December 2014

1. Corporate information

The consolidated financial statements of Valpak Holdings Limited and its subsidiaries (collectively, the Group) for the period to 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 26 March 2015. Valpak Holdings Limited (the Company) is a limited company incorporated and domiciled in the United Kingdom and its registered address is shown on page 1.

The Group's principal activities are compliance services within the regulated arena of Producer Responsibility, in particular packaging waste, WEEE and waste batteries.

Other important business activities include an environmental consultancy arm based in Glasgow and a recycling services arm which offers a total waste management solution to businesses.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value.

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for that reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

2.2 Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The results of the subsidiaries are included in the Income Statement from the date of acquisition, or in the case of disposals, up to the effective date of disposal. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

No income statement is presented for Valpak Holdings Limited as permitted by Section 408 of the Companies Act 2006. The profit for the period dealt with in the accounts of the company was £1,560,000 (2013: £48,000 loss) as a result of a dividend received from Valpak Limited for £1,507,000.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the value of the net assets is in excess of the aggregate consideration transferred, the gain is recognised in the Income Statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

b) Foreign currencies

The Group's financial statements are presented in Sterling, which is also the parent company's functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising in settlement of monetary items are recognised in the Income Statement.

c) Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

d) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes the original purchase price of the asset and the costs incurred attributable to bringing the asset to its working condition for intended use.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Freehold buildings	50 years
Plant and machinery	5 to 10 years
Fixtures and fittings	5 years
Office equipment	3 years
Computer equipment	3 to 5 years

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

2.3 Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual lives, useful lives and methods of depreciation of property, plant and equipment are revised at each financial year end and adjusted prospectively, if appropriate.

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other attributable costs incurred in bringing inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

f) Cash and short term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with a maturity of three months or less, which are subject to insignificant risks of changes in value.

g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Revenue represents the amounts invoiced to customers for material levies and membership fees for a compliance period along with services provided to customers and the sale of goods and provision of recycling services.

h) Taxation

Current income tax

Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the balance sheet date. Current tax is charged or credited to the Income Statement, except when it relates to items charged to equity or other comprehensive income, in which case the current tax is also dealt with in equity or other comprehensive income respectively.

Deferred tax

Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all temporary differences, except to the extent where it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the financial statements (continued)

at 31 December 2014

2.3 Summary of significant accounting policies (continued)

h) Taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

i) Leases

Leases are classed as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Assets funded through finance leases are capitalised as property, plant and equipment and are depreciated over the shorter of the lease term and the assets' useful lives.

The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the Income Statement.

Assets held under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the Income Statement on a straight-line basis over the lease term.

j) Pensions

The Company provides a group personal pension scheme under which defined contributions are made to the administered funds. Contributions are charged in the Income Statement as they become payable in accordance with the rules of the scheme. Any contributions unpaid at the balance sheet date are included as an accrual as at that date. The Group has no further payment obligations once the contributions have been paid.

k) Interest receivable

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

l) Share based payment transactions

The fair value of equity-settled employee share options granted is calculated at grant date and the resulting cost is charged to the Income Statement with a corresponding increase in equity. The value of the charge is adjusted to reflect expected levels of options vesting.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Areas requiring the Directors to make judgements, estimates and assumptions are highlighted in these accounting policies and throughout the notes to the consolidated financial statements.

Standards issued but not adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 9, Financial Instruments (effective for the year ended 31 March 2016)

Key estimation and judgements areas are as follows:

Property, plant and equipment

Depreciation rates are regularly reviewed to ensure that they accurately reflect useful lives and residual values are reviewed on an annual basis in line with market conditions.

Inventories

The recoverability and value of inventories are kept under constant review and provision is made where appropriate.

Trade and other receivables

The recoverability of trade and other receivables are kept under constant review and provision is made where appropriate in line with disclosures in note 14.

Trade and other payables

Where the amount payable in respect of any liability is uncertain the amount provided in the accounts is based on the best estimate available at the time.

Taxation

Management judgement is required to determinate the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

4. Revenue

Turnover, which is stated net of value added tax, represents the amounts invoiced to customers for the provision of compliance schemes for packaging waste, producer WEEE, batteries waste, environmental consulting, retail WEEE and the provision of recycling services. All business is from continuing operations and is derived from the UK.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

5. Segment information

For management purposes the Group is organised into business units based on its products and services and has 3 reportable segments as follows:

- Compliance; this delivers compliance and consultancy services within the regulated arena of Producer Responsibility, in particular packaging waste, WEEE and waste batteries.
- Recycling; this provides recycling services to UK businesses, waste management companies and local authorities.
- WEEE distribution take-back; this has operated on behalf of the Department for Business, Innovation & Skills (BIS) and the British Retail Consortium (BRC) since its inception in 2006.

No operating segments have been aggregated to form the above reportable operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended 31 December 2014	Compliance £000	Recycling £000	Distributor take-back scheme £000	Total segments £000	Adjustments and eliminations £000	Total £000
Revenue						
External customers	48,944	4,034	115	53,093	-	53,093
Inter-segment	66	130	-	196	(196)	-
Total revenue	49,010	4,164	115	53,289	(196)	53,093
Results						
Depreciation and amortisation	99	76	-	175	-	175
Employee costs	5,242	281	-	5,523	-	5,523
Fees to Environment Agencies	1,827	-	-	1,827	-	1,827
Segment profit	3,532	197	-	3,729	176	3,905
Operating assets	18,664	1,065	1,223	20,952	282	21,234
Operating liabilities	12,763	536	1,202	14,501	174	14,675

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

5. Segment information (continued)

Period ended	Compliance	Recycling	Distributor take-back scheme	Total segments	Adjustments and eliminations	Total
31 December 2013	£000	£000	£000	£000	£000	£000
Revenue						
External customers	75,782	6,240	100	82,122	-	82,122
Inter-segment	109	495	-	604	(604)	-
Total revenue	75,891	6,735	100	82,726	(604)	82,122
Results						
Depreciation and amortisation	261	79	-	340	-	340
Employee costs	4,963	391	-	5,354	-	5,354
Fees to Environment Agencies	2,027	-	-	2,027	-	2,027
Segment profit	2,120	196	-	2,316	(71)	2,245
Operating assets	22,160	1,573	1,234	24,967	(3,318)	21,649
Operating liabilities	18,347	1,401	1,213	20,961	(2,789)	18,172

Adjustments and eliminations

Finance income and costs and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Reconciliation of profit

	2014	2013
	£000	£000
Segment profit	3,729	2,316
Finance income	72	19
Adjustments and eliminations	104	(90)
Group profit	3,905	2,245

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

5. Segment information (continued)

Reconciliation of assets

	2014	2013
	£000	£000
Segment operating assets	20,952	24,967
Deferred income tax asset	-	3
Taxes receivable	-	169
Adjustments and eliminations	282	(3,490)
Group operating assets	21,234	21,649

Reconciliation of liabilities

	2014	2013
	£000	£000
Segment operating liabilities	14,501	20,961
Deferred income tax liabilities	147	-
Taxes payable	654	-
Borrowings	-	250
Adjustments and eliminations	(627)	(3,039)
Group operating liabilities	14,675	18,172

6. Operating profit

Operating profit is stated after charging / (crediting) the following items:

	2014	2013
	£000	£000
Audit of the financial statements	63	62
Other fees to auditors – taxation services	38	25
Other fees to auditors – other services	23	59
Employee costs (note 8)	5,523	5,429
Depreciation expense (note 10)	175	340
Operating lease rentals – land and buildings	5	58
Operating lease rentals – plant and equipment	136	172
Profit on disposal property, plant & equipment	-	(1)
Fees to Environment Agencies	1,827	2,027

7. Finance income

	2014	2013
	£000	£000
Interest on bank deposits	72	19

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

8. Employee costs and directors' remuneration

Employee costs for the Group for the year amounted to:

	2014	2013
	£000	£000
Wages and salaries, including bonus and termination payments	4,735	4,689
Social security costs	517	494
Pension costs	271	246
	5,523	5,429

Average number of employees, including directors, for the Group during the period:

	2014	2013
	Number	Number
Compliance	78	81
Recycling	8	15
Support Services	31	31
	117	127

The remuneration of the directors' for the year was as follows:

	2014	2013
	£000	£000
Remuneration including performance related bonuses	977	915
Highest paid director	330	309

The remuneration above is after the salary sacrifice by three directors (2013: three) under Valpak's salary exchange scheme which resulted in pension contributions of £97,000 (2013: £125,000) during the year. This includes £36,000 (2013: £50,000) in respect of the highest paid director.

The Directors were remunerated for their services to the Company by Valpak Limited.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

9. Income tax

a) Income tax charged in the income statement

	2014 £000	2013 £000
Current income tax:		
Current income tax expense / (credit)	675	(197)
Adjustment in respect of previous periods	(2)	-
Total current income tax	673	(197)
Deferred tax:		
Origination and reversal of timing differences	150	417
Effect of rate change	-	(4)
Total deferred tax	150	413
Income tax expense reported in the income statement	823	216

b) Reconciliation of the total tax charge

A reconciliation between tax expense and the product of accounting profit multiplied by the UK's domestic tax rate for the year ending 31 December 2014 and year ending 31 December 2013 is as follows:

	2014 £000	2013 £000
Accounting profit before income tax	3,905	2,245
At UK's statutory income tax rate of 21.49% (2013: 23.25%)	839	522
Permanent items	(3)	-
Non-deductible expenses for tax purposes	-	(165)
Adjustments in respect of prior years	(2)	(102)
Tax rate deduction in deferred tax	-	(4)
Difference on tax rates on losses carried back	-	(35)
Impact of differing CT and DT rates	(11)	-
Income tax expense reported in the income statement	823	216

c) Change in Corporation Tax rate

The 2013 budget on 20 March 2013 announced that the UK Corporation Tax rate will reduce to 20% by 2015. The reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2014 has been calculated based on the rate of 20% effective from 2015.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

9. Income tax (continued)

d) Deferred tax (liability) / asset

The deferred tax (liability) / asset included in the Group balance sheet is as follows:

	2014	2013
Group	£000	£000
Opening balance	3	416
Tax income during the period recognised in profit	(150)	(413)
Closing balance	(147)	3
The deferred tax (liability) / asset consists of:		
(Accelerated capital allowances) / decelerated capital allowances	(165)	3
Other timing differences	18	-
Deferred tax (liability) / asset	(147)	3

There is no deferred tax for the Company.

There was no unprovided deferred tax at 31 December 2014 (2013: nil).

10. Property, plant and equipment

Group	Freehold land & buildings £000	Plant & equipment £000	Total £000
Cost or valuation			
At 31 December 2013	1,373	809	2,182
Additions	-	317	317
Disposals	-	(54)	(54)
At 31 December 2014	1,373	1,072	2,445
Depreciation and impairment			
At 31 December 2013	68	517	585
Depreciation expense for the year	35	140	175
Disposals	-	(54)	(54)
At 31 December 2014	103	603	706
Net book value			
At 31 December 2014	1,270	469	1,739
At 31 December 2013	1,305	292	1,597

There are no property, plant and equipment for the Company. There are no leased assets or assets acquired under hire purchase contracts at the balance sheet date within the Group or Company.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

11. Intangible assets

	Goodwill £000
Cost	
At 31 December 2013 and 31 December 2014	568
Accumulated amortisation and impairment	
At 31 December 2013 and 31 December 2014	-
Net book value at 31 December 2014	568
Net book value at 31 December 2013	568

The goodwill relates to the acquisition of Valpak Limited on 9 March 2012 and recognises the strategic future value placed on the business by Green Point Holdings SCA, a 30% shareholder in Valpak Holdings Limited. As the company operates in the highly regulated producer responsibility markets no goodwill has been attributed to other intangible assets.

12. Investments in subsidiaries

	2014 £000	2013 £000
Beginning and end of year	2,364	2,364

The Company's principal operating subsidiaries, all of which are directly owned by the Company or held indirectly by a wholly owned subsidiary and incorporated in England or Scotland, are:

	Principal activity	Share of ordinary allotted capital and voting rights
Valpak Limited	Producer responsibility compliance and consultancy services	100%
Valpak Scotland Limited	Producer responsibility compliance and consultancy services	100%
Valpak Recycling Limited	Waste management services	100%
Valpak Retail WEEE Services Limited	Operator of Distributor Take-back Scheme	100%

13. Inventories

	2014 £000	2013 £000
Group		
Raw materials and consumables	1,007	985
Finished goods	21	61
	1,028	1,046

There are no inventories for the Company.

The difference between the purchase price of inventories and their replacement cost is not material.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

14. Trade and other receivables

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Trade receivables	3,196	6,202	-	-
Other receivables	-	2	-	-
Prepayments and accrued income	1,577	2,091	-	-
	4,773	8,295	-	-

The carrying value of trade and other receivables approximates to fair value.

Trade and other receivables are non-interest bearing and are generally on 30 day terms.

Amounts owed by group undertakings are non-interest bearing and are settled in cash within 30 day terms.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and arises principally from amounts receivable from customers.

The Group's exposure to credit risk is limited as the Group has incorporated procedures such as detailed credit checks undertaken before a customer is accepted. Historically these procedures have proved effective in minimising the level of impaired and past due debtors.

Impairment losses

The ageing analysis of trade receivables for the Group is as follows:

	2014 Gross £000	2014 Impairment £000	2013 Gross £000	2013 Impairment £000
Not past due	2,200	-	3,372	-
0-30 days overdue	779	-	2,103	-
Over 30 days overdue	245	28	893	166
	3,224	28	6,368	166

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers in many different markets and sectors.

15. Cash and short-term deposits

	Group At 31 Dec 2014 £000	Group At 31 Dec 2013 £000	Company At 31 Dec 2014 £000	Company At 31 Dec 2013 £000
Cash at bank and in hand	8,126	9,971	394	394
Short-term deposits	5,000	-	-	-
	13,126	9,971	394	394

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

15. Cash and short-term deposits (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Company is party to a Composite Accounting System between Barclays Bank Plc and the Company and its subsidiary companies and therefore does not hold treasury deposits.

Liquidity risk

Liquidity risk is the risk that the Group could be unable to meet its financial obligations as they fall due at a reasonable price. The Group's operational cash flow is largely stable and predictable. Cash flow forecasts are produced regularly to assist management in identifying future liquidity requirements.

Credit risk

The Group credit policy limits deposits to only major banks and up to £7.5 million with any single party.

16. Trade and other payables

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Trade payables	9,657	13,044	-	22
Social security and other taxes	175	214	-	-
Accruals and deferred income	4,042	4,664	-	-
	13,874	17,922	-	22

The carrying value of trade and other payables approximates to fair value and are non-interest bearing.

17. Borrowings

	2014 £000	2013 £000
Group and Company		
Money market loan due December 2014	-	250
	-	250

The Company established a £2 million money market loan in December 2013 for standby liquidity purposes.

18. Liabilities falling due after more than one year

	2014 £000	2013 £000
Company		
Amounts due to group undertakings	-	1,303
	-	1,303

Amounts owed to group undertakings are non-interest bearing.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

19. Financial risk management objectives and policies

The principal financial risks faced by the Group are liquidity, foreign currency and counterparty risks. These are managed by the Company in accordance with policies and guidelines approved by the Board of Directors. The risk management policies are designed to minimise potential adverse effects on the Group's financial performance by identifying financial exposures and setting appropriate risk limits and controls. These are covered in the appropriate notes to the accounts.

20. Called up share capital, share premium account and capital contribution

Group and Company	2014 Number	2013 Number	2014 £000	2013 £000
Authorised and called up share capital				
Ordinary shares of 1p each	750,000	750,000	8	8
Share premium account				
Share premium			742	742
Capital contribution				
Capital contribution			700	700

Green Point Holdings SCA made a capital contribution of £700,000 to the Company on 12 March 2012.

21. Retained earnings

	Group £000	Company £000
At 31 December 2012	(2)	(219)
Profit / (loss) for the period	2,029	(48)
At 31 December 2013	2,027	(267)
Profit for the year	3,082	1,560
At 31 December 2014	5,109	1,293

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

22. Share based payments

EMI share option scheme

The company operates an Enterprise Management Incentive ("EMI") Scheme under which share options have been granted to certain employees except for members of the executive management team who hold equity shares in the Company. The options may only be exercised in the event of a sale.

Movements during the year	Number
At 31 December 2012	37,400
Issued during the period	(9,600)
At 31 December 2013	27,800
Forfeited during the year	(4,000)
At 31 December 2014	23,800

As the scheme is due to run until 25 October 2022 and there remains no certainty when a sale event will occur, no charge has been recognised in the Income Statement. However, if it is assumed that a sale took place on 30 April 2018 then, based on the Black-Scholes model, there would be a charge of £61,000 in 2014 (£133,000 since scheme inception). Additional inputs into the model included the annual risk-free interest rate 2%, annualised volatility 35%, exercise price £0.315 and no dividend payments.

23. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	2014 £000	2013 £000
Operating profit	3,833	2,226
Depreciation	175	340
Profit on disposal of property, plant and equipment	-	(1)
Operating cash flows before changes in working capital	4,008	2,565
Changes in working capital:		
Decrease in inventories	18	122
Decrease in trade and other receivables	3,522	3,037
Decrease in trade and other payables	(4,048)	(1,683)
Cash flows generated from operations	3,500	4,041

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

24. Analysis of net funds

	2014 £000	2013 £000
Current assets		
Cash at bank and in hand	8,126	9,971
Short-term deposits	5,000	-
	13,126	9,971
Current liabilities		
Borrowings	-	(250)
	-	(250)
Total net funds	13,126	9,721

Reconciliation of net cash flow to movement in net funds

	2014 £000	2013 £000
Net funds at beginning of year	9,721	5,555
(Decrease) / increase in cash at bank and in hand	(1,845)	9,437
Increase / (decrease) in short term deposits	5,000	(5,021)
Decrease / (increase) in borrowings	250	(250)
Net funds at end of year	13,126	9,721

25. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period the company made payments of £7,800 (2013: £7,845) to Sancroft Limited, a company controlled by Lord Deben, for marketing briefing documents and board meeting costs. With the exception of personnel compensation of the directors, which disclosure can be found within note 8 to the accounts, there were no other transactions between the Company and the directors as listed on page 1.

26. Controlling party

The directors of the Company, who are also members of the executive management team, hold in aggregate 52.9% of the voting rights of the Company. Four other members of the executive management team hold in aggregate 17.1% of the voting rights. As the executive management team hold in aggregate 70% of the voting rights of the Company they are, therefore, considered the ultimate controlling party.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2014

27. Operating and finance lease commitments

The Group does not use finance leases or hire purchase contracts to acquire plant and machinery but does lease offices and plant and machinery under non-cancellable operating leases. The total future minimum lease payments are as follows:

	2014	2013
Group	£000	£000
Within 1 year	2	72
Within 2 to 5 years inclusive	299	118
	301	190

The Company has no operating leases.