

Valpak Holdings Limited

Reports and Financial Statements

for the year ended 31 December 2015

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

Lloyds Bank Plc
125 Colmore Row
Birmingham
B3 3SF

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 2015.

Business review

The Group maintained its position as the UK's longest established and market leading producer responsibility compliance scheme operator, delivering cost effective compliance whilst ensuring scheme members' legal obligations were met to the highest standards of customer service.

Turnover has reduced by £2.7 million to £50.4 million as the cost of obtaining PRN evidence (packaging waste recovery notes) in support of our packaging scheme has reduced for the second consecutive year. On average, despite an increase in evidence prices during Q4, PRN revenues fell by over 15% during the year reflecting further reductions in glass PRN prices following the introduction of lower glass business targets. The Government lowered these business targets as a direct result of the recommendations by the Glass Flow report produced by Valpak's consultancy arm, in conjunction with WRAP and the ACP. Valpak was able to insulate its members from the peaks in prices during Q4 by building strong relationships with the reprocessing community, giving them security of supply throughout the year and the confidence to invest in, and grow, their recycling facilities. This policy has been unchanged since the packaging regulations were introduced in 1997.

Our Recycling Services and Consulting business units increased revenue by 30% to £7.5 million during 2015. International Compliance Services, which helps business comply with environmental legislation overseas, now manages over 1,000 data registrations annually. Our Data Management Services helps ease the burden of the data submission process under producer responsibility regulations for packaging, WEEE and batteries. Our custom built software and extensive database currently holds over 3.2 million product lines and over 750,000 SKU's with unique packaging metrics. Recycling Services has a proven track record of helping customers reduce costs and increase recycling rates. They have a fully compliant waste management service with over 40,000 collections made annually.

Valpak's consultancy team has also been responsible for producing a Plastics Flow and a Metals Flow report in conjunction with WRAP which provided evidence for the estimated flow of relevant packaging on to the UK market. Following Valpak's Plastics Flow report the government has consulted on reducing the plastic targets for 2016 and 2017, and also extending the regime out to 2020. The Government has also signalled its intention to set targets for the other packaging materials to 2020.

2015 proved to be a very difficult year for our WEEE compliance business as recycling facilities increased gate fees due to marked reductions in world commodity prices, in particular steel and oil. Our decision not to increase prices to our members had an adverse effect on margins with Valpak Scotland reporting operating profit of £307,000, 50% lower than 2014. We are concerned that further reductions in world commodity prices may lead to closure of some recycling facilities and lead to less choice and competition in some regions.

Whilst Valpak is pleased that Defra have issued new guidance regarding the definition of "portable" batteries we are concerned over the impact this will have on overall collection requirements for other non-lead acid portable batteries. There will be a requirement to invest in increased collections of these conventional portable batteries to make up for the expected reductions elsewhere, which is likely to lead to increased average costs to members. Our levy pricing to scheme members was unchanged during 2015. Unfortunately, we anticipate continued upward pressure on levies during 2016 which, allied to the increase in recycling targets, is not good news for producers. We will continue to work with all stakeholders to mitigate these price increases.

Valpak Holdings Limited

Strategic report (continued)

Business review (continued)

The Group made a profit after tax of £3.6 million during the year (2014: £3.1 million). All business units showed growth during the year with the contribution from recycling services and consulting services ancillary to the compliance schemes growing in importance.

Indirect costs have increased by 18% to £9.0 million highlighting an increase in headcount and IT related expenditure to support our business diversification programme and our commitment to improved standards of customer and member service. Our ISO27001: Information Security Management accreditation is evidence of this commitment.

Our annual customer satisfaction survey for 2015 has revealed overall customer satisfaction of 95% and a “very satisfied” customer satisfaction of 55%, 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 Take Back 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.

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 controls 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 producer responsibility compliance scheme operator, 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 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 operator, 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.

Valpak Holdings Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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 EU or UK legislation 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.

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 cash pooling arrangement between Lloyds Bank Plc and the Company and its subsidiary companies. The Company has established a £3 million credit facility 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.

During the year the Group was accredited to ISO27001: Information Security Management.

By order of the board



Philip Gale
Director
17 March 2016

Valpak Holdings Limited

Directors' report

Registered No: 07597708

The directors present their report and audited financial statements for the year ended 31 December 2015.

Dividends

No dividends were paid during the period (2014: £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 environmental consultancy, international environmental legislation compliance, data management services 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.

Directors of the Company

The current directors are shown on page 1. At 31 December 2015 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%.

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 year.

The Group made charitable contributions of £3,400 during the year including those supported by the employees (2014: £10,000). In addition, the employees personally raised £1,600 for Coventry Haven and the Stratford Cancer and Eye Hospital through various fund raising events.

Supplier payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group 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
17 March 2016

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 Strategic Report and 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
17 March 2016

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 2015 which comprises the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related notes 1 to 25. 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 Reports 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 2015 and of the Group's profit for the year ended 31 December 2015;
- 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.

Ernst & Young LLP

Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
17 March 2016

Valpak Holdings Limited

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Revenue	4	50,429	53,093
Cost of sales		(36,895)	(41,626)
Gross profit		13,534	11,467
Administrative expenses		(9,035)	(7,634)
Operating profit	6	4,499	3,833
Finance income	7	83	72
Profit before tax		4,582	3,905
Income tax expense	9	(954)	(823)
Profit for the financial year	19	3,628	3,082

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

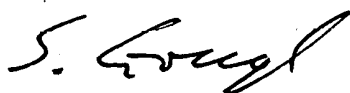
Valpak Holdings Limited

Group Balance Sheet

at 31 December 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	10	1,684	1,739
Intangible assets	11	568	568
		2,252	2,307
Current assets			
Inventories	13	394	1,028
Trade and other receivables	14	7,366	4,773
Cash and short-term deposits	15	16,262	13,126
		24,022	18,927
Total assets		26,274	21,234
Current liabilities			
Trade and other payables	16	(15,060)	(13,874)
Income tax payable	9	(551)	(654)
		(15,611)	(14,528)
Net current assets		8,411	4,399
Non-current liabilities			
Share based payments	20	(402)	-
Deferred tax liability	9	(74)	(147)
		(476)	(147)
Total liabilities		(16,087)	(14,675)
Net assets		10,187	6,559
Equity			
Called up share capital	18	8	8
Share premium account	18	742	742
Capital contribution	18	700	700
Retained earnings	19	8,737	5,109
Total equity		10,187	6,559

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



Steve Gough
Director
17 March 2016
Company Number: 07597708

Valpak Holdings Limited

Company Balance Sheet

at 31 December 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Investments in subsidiaries	12	2,364	2,364
Deferred tax assets	9	76	-
		2,440	2,364
Current assets			
Income tax receivable	9	54	-
Cash and short-term deposits	15	6,113	394
		6,167	394
Total assets		8,607	2,758
Current liabilities			
Trade and other payables	16	(649)	-
Income tax payable	9	-	(15)
		(649)	(15)
Net current assets		5,518	379
Non-current liabilities			
Share based payment	20	(402)	-
		(402)	-
Total liabilities		(1,051)	(15)
Net assets		7,556	2,743
Equity			
Called up share capital	18	8	8
Share premium account	18	742	742
Capital contribution	18	700	700
Retained earnings	19	6,106	1,293
Total equity		7,556	2,743

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



Steve Gough
Director
17 March 2016
Company Number: 07597708

Valpak Holdings Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Attributable to equity holders of the parent					
	Issued capital (note 18) £000	Share premium (note 18) £000	Capital contrib'n (note 18) £000	Retained earnings (note 19) £000	Total £000
At 31 December 2013	8	742	700	2,027	3,477
Profit for the year	-	-	-	3,082	3,082
At 31 December 2014	8	742	700	5,109	6,559
Profit for the year	-	-	-	3,628	3,628
At 31 December 2015	8	742	700	8,737	10,187

Valpak Holdings Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Cash generated from operating activities	21	4,395	3,500
Interest received		83	72
Income tax (paid) / received		(1,130)	150
Net cash generated from operating activities		3,348	3,722
Cash flows from investing activities			
Purchase of property, plant and equipment		(212)	(317)
Net cash used in investing activities		(212)	(317)
Cash flows from financing activities			
Proceeds from borrowings		-	(250)
Net cash used in financing activities		-	(250)
Net increase in cash and cash equivalents		3,136	3,155
Net opening cash and cash equivalents		13,126	9,971
Net closing cash and cash equivalents	15	16,262	13,126

Valpak Holdings Limited

Notes to the financial statements

at 31 December 2015

1. Corporate information

The consolidated financial statements of Valpak Holdings Limited and its subsidiaries (collectively, the Group) for the year-end to 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 16 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.

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.

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

2. Accounting policies (continued)

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 £4,813,000 (2014: £1,560,000 profit) mainly due to a dividend received from Valpak Limited for £5,726,000 (2014: £1,507,000).

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

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.

Notes to the financial statements (continued)

at 31 December 2015

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

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 liabilities. The value of the charge is adjusted to reflect expected levels of options vesting.

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

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.

5. Segment information

For management purposes the Group is organised into business units based on its products and services and has 2 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.

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	Compliance	Recycling	Total segments	Adjustments and eliminations	Total
31 December 2015	£000	£000	£000	£000	£000
Revenue					
External customers	45,163	5,266	50,429	-	50,429
Inter-segment	88	49	137	(137)	-
Total revenue	45,251	5,315	50,566	(137)	50,429
Results					
Depreciation and amortisation	191	76	267	-	267
Employee costs	5,863	247	6,110	-	6,110
Fees to environment agencies	1,898	-	1,898	-	1,898
Segment profit	4,983	265	5,248	(666)	4,582
Operating assets	18,715	1,492	20,207	6,067	26,274
Operating liabilities	13,878	1,147	15,025	1,062	16,087

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

5. Segment information (continued)

Period ended	Compliance	Recycling	Total segments	Adjustments and eliminations	Total
31 December 2014	£000	£000	£000	£000	£000
Revenue					
External customers	49,059	4,034	53,093	-	53,093
Inter-segment	66	130	196	(196)	-
Total revenue	49,125	4,164	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	1,932	-	1,932	-	1,932
Segment profit	3,532	197	3,729	176	3,905
Operating assets	19,887	1,065	20,952	282	21,234
Operating liabilities	13,965	536	14,501	174	14,675

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

	2015	2014
	£000	£000
Segment profit	5,248	3,729
Finance income	83	72
Adjustments and eliminations *	(749)	104
Group profit	4,582	3,905

* Segment profit does not include share based payments costs of £402,000 for 2015 (2014: £nil) as these costs are managed on a group basis.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

5. Segment information (continued)

Reconciliation of assets

	2015	2014
	£000	£000
Segment operating assets	20,207	20,952
Adjustments and eliminations *	6,067	282
Group operating assets	26,274	21,234

* Segment operating assets do not include cash of £6,113,000 for 2015 (2014: £394,000) as these assets are managed on a group basis.

Reconciliation of liabilities

	2015	2014
	£000	£000
Segment operating liabilities	15,025	14,501
Deferred income tax liabilities	74	147
Taxes payable	551	654
Adjustments and eliminations *	437	(627)
Group operating liabilities	16,087	14,675

* Segment operating liabilities do not include share based payments liability of £402,000 for 2015 (2014: £nil) as these assets are managed on a group basis.

6. Operating profit

Operating profit is stated after charging the following items:

	2015	2014
	£000	£000
Audit of the financial statements	5	5
Audit of the subsidiary undertakings	65	62
Other fees to auditors – taxation compliance services	29	38
Other fees to auditors – taxation advisory services	99	23
Employee costs (note 8)	6,110	5,523
Depreciation expense (note 10)	267	175
Operating lease rentals – land and buildings	21	5
Operating lease rentals – plant and equipment	112	136
Fees to environment agencies	1,898	1,932

7. Finance income

	2015	2014
	£000	£000
Interest on bank deposits	83	72

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

8. Employee costs and directors' remuneration

Employee costs for the Group for the year amounted to:

	2015	2014
	£000	£000
Wages and salaries, including bonus and termination payments	5,263	4,735
Social security costs	576	517
Pension costs	271	271
	6,110	5,523

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

	2015	2014
	Number	Number
Compliance	83	78
Recycling	7	8
Support Services	32	31
	122	117

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

	2015	2014
	£000	£000
Remuneration including performance related bonuses	1,136	977
Highest paid director	424	330

The remuneration above is after the salary sacrifice by three directors (2014: three) under Valpak's salary exchange scheme which resulted in pension contributions of £106,000 (2014: £97,000) during the year. This includes £40,000 (2014: £36,000) 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 2015

9. Income tax

a) Income tax charged in the income statement

	2015	2014
Group	£000	£000
Current income tax:		
Current income tax expense	1,026	675
Adjustment in respect of previous periods	2	(2)
Total current income tax	1,028	673
Deferred tax:		
Origination and reversal of timing differences	(62)	150
Effect of rate change	(12)	-
Total deferred tax	(74)	150
Income tax expense reported in the income statement	954	823

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 2015 and year ending 31 December 2014 is as follows:

	2015	2014
Group	£000	£000
Accounting profit before income tax	4,582	3,905
At UK's statutory income tax rate of 20.25% (2014: 21.49%)	928	839
Permanent items	-	(3)
Non-deductible expenses for tax purposes	38	-
Adjustments in respect of prior years	(1)	(2)
Impact of differing CT and DT rates	(11)	(11)
Income tax expense reported in the income statement	954	823

c) Change in Corporation Tax rate

The standard rate of Corporation Tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly the group's profits for this accounting period are taxed at an effective rate of 20.25%.

The July 2015 Budget announced an intention to further reduce the UK corporation tax rate to 19% from 1 April 2017 and 18% by 1 April 2020. These rate changes were substantially enacted before the balance sheet date and as such have been reflected in the financial statements.

The group has considered the expected rate at which the temporary differences in deferred tax are likely to reverse and therefore the deferred tax assets and liabilities have been measured at a combination of 19% and 18% accordingly.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

9. Income tax (continued)

d) Deferred tax (liability) / asset

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

	2015	2014
Group	£000	£000
Opening balance	(147)	3
Tax income / (expense) during the period recognised in profit	73	(150)
Closing balance	(74)	(147)

The deferred tax liability consists of:

Accelerated capital allowances	(169)	(165)
Other timing differences	19	18
Share based payment	76	-
Deferred tax liability	(74)	(147)

The deferred tax asset included in the Company balance sheet is as follows:

	2015	2014
Company	£000	£000
Opening balance	-	-
Tax income during the period recognised in profit	76	-
Closing balance	76	-

The deferred tax asset consists of:

Share based payment	76	-
Deferred tax asset	76	-

There was no unprovided deferred tax at 31 December 2015 (2014: nil).

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

10. Property, plant and equipment

Group	Freehold land & buildings £000	Plant & equipment £000	Total £000
Cost or valuation			
At 31 December 2014	1,373	1,072	2,445
Additions	-	212	212
At 31 December 2015	1,373	1,284	2,657
Depreciation and impairment			
At 31 December 2014	103	603	706
Depreciation expense for the year	36	231	267
At 31 December 2015	139	834	973
Net book value			
At 31 December 2015	1,234	450	1,684
At 31 December 2014	1,270	469	1,739

There is 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.

11. Intangible assets

Group	Goodwill £000
Cost	
At 31 December 2014 and 31 December 2015	568
Accumulated amortisation and impairment	
At 31 December 2014 and 31 December 2015	-
Net book value at 31 December 2015	568
Net book value at 31 December 2014	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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

12. Investments in subsidiaries

	2015	2014
Company	£000	£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

	2015	2014
Group	£000	£000
Raw materials and consumables	334	1,007
Finished goods	60	21
	394	1,028

There are no inventories for the Company.

14. Trade and other receivables

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade receivables	5,862	3,196	-	-
Other receivables	1	-	-	-
Prepayments and accrued income	1,503	1,577	-	-
	7,366	4,773	-	-

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

Trade and other receivables are non-interest bearing and are generally on 30-90 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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

14. Trade and other receivables (continued)

Impairment losses

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

	2015 Gross £000	2015 Impairment £000	2014 Gross £000	2014 Impairment £000
Not past due	3,539	-	2,200	-
0-30 days overdue	1,432	-	779	-
Over 30 days overdue	908	17	245	28
	5,879	17	3,224	28

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 2015 £000	Group At 31 Dec 2014 £000	Company At 31 Dec 2015 £000	Company At 31 Dec 2014 £000
Cash at bank and in hand	16,262	8,126	6,113	394
Short-term deposits	-	5,000	-	-
	16,262	13,126	6,113	394

The Company is party to a cash pooling arrangement between Lloyds Bank Plc and the Company and its subsidiary companies.

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.

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 £10 million with any single party.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

16. Trade and other payables

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade payables	10,682	9,657	257	-
Amounts owed to group undertakings	-	-	392	-
Social security and other taxes	185	175	-	-
Accruals and deferred income	4,193	4,042	-	-
	15,060	13,874	649	-

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

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

17. 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.

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

Group and Company	2015 Number	2014 Number	2015 £000	2014 £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.

19. Retained earnings

	Group £000	Company £000
At 31 December 2013	2,027	(267)
Profit for the year	3,082	1,560
At 31 December 2014	5,109	1,293
Profit for the year	3,628	4,813
At 31 December 2015	8,737	6,106

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

20. 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 2013	27,800
Issued during the period	(4,000)
At 31 December 2014	23,800
Forfeited during the year	(1,600)
At 31 December 2015	22,200

The scheme is due to run until 25 October 2022 and there remains no certainty when a sale event will occur. 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 £127,000 in 2015 (£402,000 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.

Despite the uncertainty surrounding when the options will be exercised the Company has recognised a charge of £402,000 in the Income Statement (included within administrative expenses), representing the cost of the scheme since inception. Prior year figures have not been adjusted as amounts involved are immaterial.

21. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	2015	2014
	£000	£000
Operating profit	4,499	3,833
Depreciation	267	175
Operating cash flows before changes in working capital	4,766	4,008
Changes in working capital:		
Decrease in inventories	634	18
(Increase) / decrease in trade and other receivables	(2,593)	3,522
Increase / (decrease) in trade and other payables	1,588	(4,048)
Cash flows generated from operations	4,395	3,500

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2015

22. Analysis of net funds

	2015 £000	2014 £000
Current assets		
Cash at bank and in hand	16,262	8,126
Short-term deposits	-	5,000
	16,262	13,126
Total net funds	16,262	13,126

Reconciliation of net cash flow to movement in net funds

	2015 £000	2014 £000
Net funds at beginning of year	13,126	9,721
Increase / (decrease) in cash at bank and in hand	8,136	(1,845)
(Decrease) / increase in short term deposits	(5,000)	5,000
Decrease in borrowings	-	250
Net funds at end of year	16,262	13,126

23. 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 £8,400 (2014: £7,800) 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.

24. 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.

25. 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:

	2015 £000	2014 £000
Group		
Within 1 year	22	2
Within 2 to 5 years inclusive	196	299
	218	301

The Company has no operating leases.