

Valpak Holdings Limited

Reports and Financial Statements

for the year ended 31 December 2016

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
Daniel Krysewski – appointed 24/12/2016

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 2016.

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 increased by £5.1 million to £55.6 million reflecting growth in the WEEE (waste electrical and electronic equipment) compliance scheme and also the Recycling Services business unit. These increases were partially offset by lower revenues from the packaging compliance scheme as the cost of obtaining PRN evidence (packaging waste recovery notes) reduced for the third consecutive year. On average PRN revenues fell by over 10% during the year reflecting further reductions in plastic PRN prices following the introduction of lower plastic business targets. The Government lowered these business targets as a direct result of the recommendations by the Plastic Flow report produced by Valpak's consultancy arm, in conjunction with WRAP.

Our Recycling Services and Consulting business units increased revenue by 40% to £10.4 million during 2016. The former reported a 50% increase, though margin pressure restricted profit growth to 20%. We continue to expand our services to cover the wider areas of sustainability including carbon, energy and waste management. Our Waste Manager Portal helps clients with their waste and resources management and our data management portals provide clients with benchmark reporting and supply chain transparency.

International Compliance Services, which helps business comply with environmental legislation overseas, manages over 1,600 data submissions annually and has researched obligations for businesses in over 100 countries. Data Management Services uses a custom built software and extensive database to ease the burden of the data submission process under producer responsibility regulations for packaging, WEEE and batteries in the UK and overseas. This database holds over 3.2 million product lines and over 1 million SKU's with unique packaging metrics. Recycling Services offer a fully compliant waste management service, ensuring that waste is handled in the most environmentally sound and cost effective manner. They handle over 40,000 collections annually.

Valpak's consultancy team was responsible for producing EEEFlow reports in conjunction with WRAP which provided evidence for the estimated flow of waste electrical equipment on to the UK market. They also produced a European WEEE Flow report. As a member of the WEEE Scheme Forum, we were a major player in the creation of the producer compliance scheme balancing system. This system ensures the collection of WEEE material from CA sites which are not under contract to a compliance scheme.

Valpak remains a leader in providing input to UK policy on recycling compliance. For the packaging scheme, following Valpak's packaging material flow reports and our policy engagement, the government has consulted on setting targets for all packaging materials and extending the regime out to 2020. We launched PackFlow 2025 in June 2017 which was timed to support Circular Economy consultation and negotiations.

For the WEEE scheme, Defra have approved Valpak's WEEE compliance fee proposal for the 2016 compliance year. The fee methodology was designed to incentivise schemes to meet their collection targets without using the fee and also to drive demand for WEEE from CA sites in future years.

Valpak Holdings Limited

Strategic report (continued)

Business review (continued)

For the batteries scheme, as reported last year a combination of the new guidance regarding the definition of “portable” batteries and the increase in recycling targets saw an increase in costs to scheme members as we invest in increased collections of the more conventional non lead portable batteries to make up for the reductions in sealed lead acid supply. We anticipate continued upward pressure on levies during 2017 but we will continue to work with all stakeholders to mitigate these price increases.

We continue to operate the UK’s WEEE Distributor Take Back Scheme on behalf of the Department for Environment, Food & Rural Affairs (Defra). In December 2016 the Company was awarded the contract for Phase 4 of the scheme which is a three year period to 31 December 2019. We have successfully operated this scheme since its inception in 2006.

The Group made a profit after tax of £4.3 million during the year (2015: £3.6 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 been maintained at £9.0 million despite an increase in headcount to support our business diversification programme and our commitment to improved standards of customer and member service. The retention of ISO27001: Information Security Management accreditation is evidence of this commitment and helps set us apart from competitors.

Our annual customer satisfaction survey for 2016 has revealed overall customer satisfaction of 97% and a “very satisfied” customer satisfaction of 60%, its highest level since the survey started in 2006. These results are a testament to the quality and expertise of our staff.

On 28 October 2016, through a demerger of Green Point Holdings SCA, its 30% shareholding in the Company was transferred to Green Point Holdings 2 S.a.r.l. On the same date Green Point Holdings 2 S.a.r.l. acquired an additional 40% of the company shareholding from management, taking its ownership to 70% and becoming the immediate parent undertaking at that time. Further information relating to this transaction can be found within notes 10, 13 and 27 to the financial statements.

The Group has not experienced any material impact to its business as a result of the Brexit vote in June 2016. We will continue to monitor the Brexit process, including possible effects on UK legislation and policy.

The directors consider that the key performance indicators relate to reputation risk to the Group, 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.

Valpak Holdings Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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.

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 Chinese authorities for material exported to China). 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 and monitors and engages with EU legislative processes, 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 a £2.4 million five year term loan facility with its bankers, which is repayable in quarterly instalments until October 2021.

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 in note 16.

Valpak Holdings Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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
24 July 2017

Valpak Holdings Limited

Directors' report

Registered No: 07597708

The directors present their report and audited financial statements for the year ended 31 December 2016.

Dividends

A dividend of £1,665,000 (2015: £nil) was declared and paid during the year.

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 17 and borrowings. 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 2016 the directors' interest in the issued share capital of the Company was as follows: Lord Deben 8.4%, Steve Gough 8.2%, Philip Gale 4.1% and Adrian Hawkes 2.0%.

Going concern

The Directors note that the Group and Company are in a net current liability position. The Directors do not believe this has a significant impact on the going concern assumption.

The Group'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 group, its principal risks and uncertainties and available borrowing facilities.

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

After making enquiries, the directors have a reasonable expectation that the Group and Company have 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 £1,250 during the year including to charities supported by the employees (2015: £3,400). In addition, the employees personally raised £1,500 for Ettington First Responders 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

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

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
24 July 2017

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
24 July 2017

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 2016 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Cash Flow Statement and related notes 1 to 29. 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 9, 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 2016 and of the Group's profit for the year ended 31 December 2016;
- 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.

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

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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
25 July 2017

Valpak Holdings Limited

Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Revenue	4	55,559	50,429
Cost of sales		(41,312)	(36,895)
Gross profit		14,247	13,534
Administrative expenses		(9,049)	(9,035)
Operating profit	6	5,198	4,499
Finance income	7	77	83
Finance costs	8	(6)	-
Profit before tax		5,269	4,582
Income tax expense	10	(1,012)	(954)
Profit for the financial year	23	4,257	3,628

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

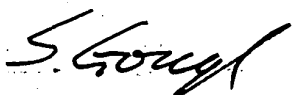
Valpak Holdings Limited

Balance Sheet

at 31 December 2016

	Notes	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Non-current assets					
Property, plant and equipment	11	1,749	1,684	-	-
Intangible assets	12	568	568	-	-
Investments in subsidiaries	14	-	-	2,364	2,364
Other non-current financial assets	13	10,922	-	10,922	-
Deferred tax assets	10	3,487	-	3,639	76
		16,726	2,252	16,925	2,440
Current assets					
Inventories	15	433	394	-	-
Trade and other receivables	16	5,029	7,366	-	-
Income tax receivable	10	-	-	-	54
Cash and short-term deposits	17	9,952	16,262	2,323	6,113
		15,414	24,022	2,323	6,167
Total assets		32,140	26,274	19,248	8,607
Current liabilities					
Borrowings	19	(480)	-	(480)	-
Trade and other payables	18	(12,385)	(15,060)	(4,823)	(649)
Income tax payable	10	(4,050)	(551)	(3,482)	-
		(16,915)	(15,611)	(8,785)	(649)
Net current (liabilities) / assets		(1,501)	8,411	(6,462)	5,518
Non-current liabilities					
Borrowings	19	(1,920)	-	(1,920)	-
Share based payments	20	(526)	(402)	(526)	(402)
Deferred tax liability	10	-	(74)	-	-
		(2,446)	(476)	(2,446)	(402)
Total liabilities		(19,361)	(16,087)	(11,231)	(1,051)
Net assets		12,779	10,187	8,017	7,556
Equity					
Called up share capital	22	8	8	8	8
Share premium account	22	742	742	742	742
Capital contribution	22	700	700	700	700
Retained earnings	23	11,329	8,737	6,567	6,106
Total equity		12,779	10,187	8,017	7,556

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



Steve Gough

Director

24 July 2017

Company Number: 07597708

Valpak Holdings Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Attributable to equity holders of the parent					
	Issued capital (note 22) £000	Share premium (note 22) £000	Capital contrib'n (note 22) £000	Retained earnings (note 23) £000	Total £000
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
Dividends declared and paid	-	-	-	(1,665)	(1,665)
Profit for the year	-	-	-	4,257	4,257
At 31 December 2016	8	742	700	11,329	12,779

Valpak Holdings Limited

Cash Flow Statement

For the year ended 31 December 2016

		Group	Group	Company	Company
		2016	2015	2016	2015
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operating activities	24	5,234	4,395	3,790	8
Interest received		49	83	-	-
Interest paid		(6)	-	(6)	-
Income tax (paid)/received		(1,074)	(1,130)	54	(15)
Net cash generated from operating activities		4,203	3,348	3,838	(7)
Cash flows from investing activities					
Purchase of property, plant and equipment		(354)	(212)	-	-
Net cash used in investing activities		(354)	(212)	-	-
Cash flows from financing activities					
Proceeds from borrowings		2,400	-	2,400	-
Dividends received from subsidiaries		-	-	2,531	5,726
Dividends paid to equity holders of parent		(1,665)	-	(1,665)	-
Loan to parent undertaking		(10,894)	-	(10,894)	-
Net cash used in financing activities		(10,159)	-	(7,628)	5,726
Net (decrease)/increase cash and cash equivalents		(6,310)	3,136	(3,790)	5,719
Net opening cash and cash equivalents		16,262	13,126	6,113	394
Net closing cash and cash equivalents	17	9,952	16,262	2,323	6,113

Valpak Holdings Limited

Notes to the financial statements

at 31 December 2016

1. Corporate information

The consolidated financial statements of Valpak Holdings Limited and its subsidiaries (collectively, the Group) for the year-end to 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 20 July 2017. 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 Directors note that the Group and Company are in a net current liability position. The Directors do not believe this has a significant impact on the going concern assumption.

The Group'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 group, its principal risks and uncertainties and available borrowing facilities.

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

After making enquiries, the directors have a reasonable expectation that the Group and Company have 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 2016

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 £2,126,000 (2015: £4,813,000) mainly due to a dividend received from Valpak Limited for £2,531,000 (2015: £5,726,000).

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 2016

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) Other non-current financial assets

Subsequent to initial recognition at fair value plus transaction costs, these assets are carried at amortised cost less impairment using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in the Income Statement. Any losses arising from impairment are recognised in the Income Statement in other operating expenses.

An impairment assessment is carried out at the balance sheet date. The asset will be considered to be impaired if, and only if, there is objective evidence of impairment as a result of events that have an adverse impact on the estimated future recoverability of the asset.

f) 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.

g) 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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

h) 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.

i) 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.

j) 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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

k) 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.

l) 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.

m) 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.

n) Borrowings

All interest-bearing loans and borrowings, which are basic financial instruments, are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment.

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)
- IFRS 15, Revenue from contracts with Customers (effective 1 January 2018)

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

3. Significant accounting judgements, estimates and assumptions (continued)

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 16.

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.

5. Segment information

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

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

5. Segment information (continued)

Year ended	Compliance	Recycling	Total segments	Adjustments and eliminations	Total
31 December 2016	£000	£000	£000	£000	£000
Revenue					
External customers	47,572	7,987	55,559	-	55,559
Inter-segment	880	16	896	(896)	-
Total revenue	48,452	8,003	56,455	(896)	55,559
Results					
Depreciation and amortisation	242	47	289	-	289
Employee costs	6,137	281	6,418	-	6,418
Fees to environment agencies	1,859	-	1,859	-	1,859
Segment profit	5,399	306	5,705	(436)	5,269
Operating assets	18,892	1,717	20,609	11,531	32,140
Operating liabilities	11,905	1,426	13,331	6,030	19,361

Period 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

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

5. Segment information (continued)

Reconciliation of profit

	2016	2015
	£000	£000
Segment profit	5,705	5,248
Finance income	77	83
Finance costs	(6)	-
Adjustments and eliminations *	(507)	(749)
Group profit	5,269	4,582

* Segment profit does not include share based payments costs of £124,000 for 2016 (2015: £402,000) as these costs are managed on a group basis.

Reconciliation of assets

	2016	2015
	£000	£000
Segment operating assets	20,609	20,207
Deferred income tax assets	3,487	-
Adjustments and eliminations *	8,044	6,067
Group operating assets	32,140	26,274

* Segment operating assets do not include cash of £2,323,000 for 2016 (2015: £6,113,000) as these assets are managed on a group basis.

Reconciliation of liabilities

	2016	2015
	£000	£000
Segment operating liabilities	13,331	15,025
Deferred income tax liabilities	-	74
Taxes payable	4,050	551
Adjustments and eliminations *	1,980	437
Group operating liabilities	19,361	16,087

* Segment operating liabilities do not include share based payments liability of £526,000 for 2016 (2015: £402,000) and borrowings of £2,400,000 for 2016 (2015: £nil) as these assets are managed on a group basis.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

6. Operating profit

Operating profit is stated after charging the following items:

	2016 £000	2015 £000
Audit of the financial statements	5	5
Audit of the subsidiary undertakings	61	65
Total audit fees	66	70
Other fees to auditors – taxation compliance services	34	29
Other fees to auditors – taxation advisory services	33	99
Employee costs (note 9)	6,418	6,110
Depreciation expense (note 11)	289	267
Operating lease rentals – land and buildings	21	21
Operating lease rentals – plant and equipment	144	112
Fees to environment agencies	1,859	1,898

7. Finance income

	2016 £000	2015 £000
Interest on bank deposits	49	83
Interest income on a loan to parent undertaking	28	-
	77	83

8. Finance costs

	2016 £000	2015 £000
Interest on borrowings	6	-

9. Employee costs and directors' remuneration

Employee costs for the Group for the year amounted to:

	2016 £000	2015 £000
Wages and salaries, including bonus and termination payments	5,494	5,263
Social security costs	589	576
Pension costs	335	271
	6,418	6,110

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

	2016 Number	2015 Number
Compliance	89	83
Recycling	9	7
Support Services	35	32
	133	122

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

9. Employee costs and directors' remuneration (continued)

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

	2016 £000	2015 £000
Remuneration including performance related bonuses	1,103	1,136
Highest paid director	406	424

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

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

10. Income tax

In 2016 the following items include £3,550,000 relating to the tax payable on the loan to Green Point Holdings 2 S.a.r.l. (see also note 13 Other non-current financial assets): current income tax expense, origination and reversal of timing differences, deferred tax credited to income statement and other timing differences.

a) Income tax charged in the income statement

Group	2016 £000	2015 £000
Current income tax:		
Current income tax expense	4,583	1,026
Adjustment in respect of previous periods	(10)	2
Total current income tax	4,573	1,028
Deferred tax:		
Origination and reversal of timing differences	(3,563)	(62)
Effect of rate change	2	(12)
Total deferred tax	(3,561)	(74)
Income tax expense reported in the income statement	1,012	954

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

10. Income tax (continued)

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 2016 and year ending 31 December 2015 is as follows:

Group	2016 £000	2015 £000
Accounting profit before income tax	5,269	4,582
At UK's statutory income tax rate of 20.00% (2015: 20.25%)	1,054	928
Income not taxable	(91)	(75)
Non-deductible expenses for tax purposes	57	113
Adjustments in respect of prior years	(10)	(1)
Impact of differing CT and DT rates	2	(11)
Income tax expense reported in the income statement	1,012	954

c) Change in Corporation Tax rate

The standard rate of UK corporation tax will be reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 17% with effect from 1 April 2020. These were enacted in the Finance Act 2016 on 15 September 2016 and in accordance with accounting standards, have been reflected in the Company's financial statements.

d) Deferred tax asset / (liability)

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

Group	2016 £000	2015 £000
Opening balance	(74)	(147)
Deferred tax credited to income statement	3,561	73
Closing balance	3,487	(74)
The deferred tax asset / (liability) consists of:		
Accelerated capital allowances	(171)	(169)
Other timing differences	3,569	19
Share based payment	89	76
Deferred tax asset / (liability)	3,487	(74)

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

d) Deferred tax asset / (liability) (continued)

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

Company	2016 £000	2015 £000
Opening balance	76	-
Deferred tax credited to income statement	3,563	76
Closing balance	3,639	76

The deferred tax asset consists of:

Share based payment	89	76
Other timing differences	3,550	-
Deferred tax asset	3,639	76

There was no unprovided deferred tax at 31 December 2016 (2015: nil).

11. Property, plant and equipment

Group	Freehold land & buildings £000	Plant & equipment £000	Total £000
Cost or valuation			
At 31 December 2015	1,373	1,284	2,657
Additions	-	354	354
Disposals	-	(249)	(249)
At 31 December 2016	1,373	1,389	2,762
Depreciation and impairment			
At 31 December 2015	139	834	973
Depreciation expense for the year	35	254	289
Disposals	-	(249)	(249)
At 31 December 2016	174	839	1,013
Net book value			
At 31 December 2016	1,199	550	1,749
At 31 December 2015	1,234	450	1,684

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

12. Intangible assets

	Goodwill £000
Group	
Cost	
At 31 December 2015 and 31 December 2016	568
Accumulated amortisation and impairment	
At 31 December 2015 and 31 December 2016	-
Net book value at 31 December 2016	568
Net book value at 31 December 2015	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. As the company operates in the highly regulated producer responsibility markets no goodwill has been attributed to other intangible assets.

13. Other non-current financial assets

	2016 £000	2015 £000
Group and Company		
Loan to parent undertaking	10,894	-
Accrued interest	28	-
	10,922	-

Loan to parent undertaking relates to an interest bearing loan to Green Point Holdings 2 S.a.r.l. It is expected that the full contractual value of the loan can be collected and therefore no impairment provision is required. There is no fixed repayment date for this loan and interest at 1.0% plus 3 month LIBOR, will be added to the principal of the loan and shall not be required to be paid until the principal is repaid.

As Green Point Holdings 2 S.a.r.l. is considered to be a close company then, under s459 Corporation Tax Act 2010, a tax charge of 32.5% (£3,550,000) is due for payment on this loan on 1 October 2017. The Company believes that the loan will be repaid within the foreseeable future and has, therefore, established a deferred tax assets for the full amount of the tax payable (see Note 10 Income Tax).

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

14. Investments in subsidiaries

	2016	2015
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%

15. Inventories

	2016	2015
Group	£000	£000
Raw materials and consumables	392	334
Finished goods	41	60
	433	394

There are no inventories for the Company.

16. Trade and other receivables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade receivables	3,897	5,862	-	-
Other receivables	1	1	-	-
Prepayments and accrued income	1,131	1,503	-	-
	5,029	7,366	-	-

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 2016

16. Trade and other receivables (continued)

Impairment losses

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

	2016	2016	2015	2015
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	2,354	-	3,539	-
0-30 days overdue	1,218	-	1,432	-
Over 30 days overdue	333	8	908	17
	3,905	8	5,879	17

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.

17. Cash and short-term deposits

	Group	Group	Company	Company
	At 31 Dec	At 31 Dec	At 31 Dec	At 31 Dec
	2016	2015	2016	2015
	£000	£000	£000	£000
Cash at bank and in hand	9,952	16,262	2,323	6,113
	9,952	16,262	2,323	6,113

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 2016

18. Trade and other payables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade payables	9,218	10,682	116	257
Amounts owed to group undertakings	-	-	4,707	392
Social security and other taxes	171	185	-	-
Accruals and deferred income	2,996	4,193	-	-
	12,385	15,060	4,823	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.

19. Borrowings

	2016 £000	2015 £000
Group and Company		
Due within 1 year	480	-
Due 1-2 years	480	-
Due 2-5 years	1,440	-
	2,400	-

The loan is secured on the freehold property and a fixed and floating charge over the whole assets of the Group. Interest on the loan is 1.0% plus 3 month LIBOR. The loan, drawn on 27 October 2016, is being repaid in quarterly instalments of £120,000 over a five year period. The Company has a no penalty option to repay the loan earlier.

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 1 January 2015	23,800
Forfeited during the year	(1,600)
At 31 December 2015	22,200
Forfeited during the year	(800)
At 31 December 2016	21,400

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 £124,000 in 2016 (£526,000 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 £124,000 in the Income Statement (included within administrative expenses), representing the cost of the scheme for 2016 (£526,000 since inception).

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

21. 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.

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

Group and Company	2016 Number	2015 Number	2016 £000	2015 £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

Share premium

The share premium reserve of £742,000 represents the amount previously paid for the Company above the par value of its ordinary shares.

Capital contribution

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

23. Retained earnings

	Group £000	Company £000
At 31 December 2014	5,109	1,293
Profit for the year	3,628	4,813
At 31 December 2015	8,737	6,106
Dividend declared and paid	(1,665)	(1,665)
Profit for the year	4,257	2,126
At 31 December 2016	11,329	6,567

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

24. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Operating profit	5,198	4,499	(508)	(1,043)
Depreciation	289	267	-	-
Operating cash flows before changes working capital	5,487	4,766	(508)	(1,043)
Changes in working capital:				
(Increase) / decrease in inventories	(39)	634	-	-
Decrease / (increase) trade and other receivables	2,337	(2,593)	-	-
(Decrease) / increase trade and other payables	(2,551)	1,588	4,298	1,051
Cash flows generated from operations	5,234	4,395	3,790	8

25. Analysis of net funds

	2016 £000	2015 £000
Non-current assets		
Loan to parent undertaking	10,894	-
	10,894	-
Current assets		
Cash at bank and in hand	9,952	16,262
	9,952	16,262
Current liabilities		
Borrowings	(480)	-
	(480)	-
Non-current liabilities		
Borrowings	(1,920)	-
	(1,920)	-
Total net funds	18,446	16,262

Reconciliation of net cash flow to movement in net funds

	2016 £000	2015 £000
Net funds at beginning of year	16,262	13,126
(Decrease) / increase in cash at bank and in hand	(6,310)	8,136
Decrease in short term deposits	-	(5,000)
Loan to parent undertaking	10,894	-
Increase in borrowings	(2,400)	-
Net funds at end of year	18,446	16,262

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2016

26. Capital commitments

The Group has entered into contracts totalling £164,000 (2015: £nil) for future capital expenditure in relation to plant and equipment not provided for in the financial statements.

27. 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 £15,100 (2015: £8,400) 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 9 to the accounts, there were no other transactions between the Company and the directors as listed on page 1.

On 28 October 2016 the company lent its major shareholder Green Point Holdings 2 S.a.r.l. £10.9 million on commercial terms. There is no fixed repayment date for this loan. Interest on the loan, at 1.0% plus 3 month LIBOR, will be added to the principal of the loan and shall not be required to be paid until the principal is repaid. Interest accrued at 31 December 2016 was £27,256. Green Point Holdings 2 S.a.r.l., has pledged 300,000 ordinary shares in Valpak Holdings Limited as security for the loan.

28. Controlling party

Green Point Holdings 2 S.a.r.l., a company registered in Luxembourg, holds 70% of the voting rights of the Company. It is, therefore, the immediate parent undertaking and is considered the ultimate controlling party.

29. 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:

	2016	2015
Group	£000	£000
Within 1 year	44	22
Within 2 to 5 years inclusive	138	196
	182	218

The Company has no operating leases.