

Valpak Holdings Limited

Reports and Financial Statements

for the year ended 31 December 2017

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

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 2017.

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 £8.3 million to £63.8 million primarily due to the higher cost of obtaining evidence notes for the packaging and WEEE compliance schemes. Gross profit margins reduced by 16% to 21.6% as much of the increased cost of compliance was borne by the Company.

Our Recycling Services and Consulting business units increased revenue by 12% to £11.7 million during 2017 and their profit contribution increased by 15%.

We continue to expand our services to cover wider areas of sustainability including carbon, energy and waste and resource management. Our newly developed Data Management Portals provide clients with benchmark reporting, insights into the volumes and types of packaging formats used, and supply chain transparency, helping to build a clearer picture of business performance and risks. Most recently it has been expanded to report on food waste.

Our Waste Manager Portal helps clients manage their waste and resources management by providing clear audit trails on the movement of materials, legal paperwork and end destinations as well as costs and performance reporting.

International Compliance Services, which helps business comply with environmental legislation overseas, manages over 1,700 data submissions annually and has researched obligations for businesses in over 135 countries. Data Management Services use custom built software and an extensive database (EPIC) 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 20 million product lines and over 6 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 remains a leader in providing input to UK policy on recycling and producer responsibility compliance and is widely acknowledged as leading the debate on options for PRN reform.

Valpak's consultancy team published their Packflow 2025 report on the Circular Economy. The study looked at current packaging recycling rates across Europe, best practice and assessed a range of amendments that could be made to the current system in order to achieve the Circular Economy targets for 2025/30. The report was well received by industry and phase 2 of the work is now underway. In parallel with this work Valpak's consulting team have been using the Company's EPIC database of products to estimate the impact of a Deposit Returns System on the UK. This work has also been used in submissions to DEFRA.

Following the publication of EEE Flow 2016, a report conducted by our consulting division for WRAP, which provides evidence for the estimated flow of waste electrical equipment on to the UK market, we are now carrying out EEE Flow 2018, an interim report to better understand the recent decline in EEE sales and WEEE collections. A final report, EEE Flow 2019, is due to be published in the second half of 2018. We hope that these reports will assist Defra when setting future WEEE collection targets.

Valpak Holdings Limited

Strategic report (continued)

Business review (continued)

Portable batteries recycling targets remain unchanged at 45%. However, the cost of compliance has increased as we invest in increased collections of non-lead portable batteries to make up for the reductions in “portable” sealed lead acid supply. We anticipate continued upward pressure on levies during 2018, and we will continue to work with all stakeholders to mitigate these price increases and to raise public awareness to battery recycling.

We continue to operate the UK’s WEEE Distributor Take Back Scheme on behalf of the Department for Environment, Food & Rural Affairs (Defra); Phase Four of the scheme is for 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 £3.54 million during the year (2016: £4.26 million). With the exception of the WEEE compliance scheme (profit lower due to much of the cost of complying with higher collection targets not being passed on to members) all business units showed growth during the year with the contribution from those ancillary to the compliance schemes continuing to grow in importance.

Indirect costs have only increased by 4.0% to £9.4 million due to increases 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 2017 has revealed overall customer satisfaction of 98% and a “very satisfied” customer satisfaction of 63%, 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 monitor the EU exit process, including possible effects on UK legislation and policy. The Group has not experienced any material impact to its business as a result of the EU exit vote in June 2016.

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 our 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 contribute to changes in regulations and statutory guidance.

Commercial risks

Commercial risks of our business are generally low. All business units have a large and diversified customer base and excellent customer satisfaction, minimising the risk of customer churn. However, we do face risks for our compliance businesses associated with fluctuation in the cost and availability of recyclable materials, and we have a portfolio of strategies helping to mitigate the risk of in year price fluctuation to our customers.

Competitive risks

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

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

Valpak Holdings Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity risks

The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. The Company is party to a cash pooling arrangement between Lloyds Bank Plc and the Company and its subsidiary companies. The Company has a £1.92 million five year term loan facility with its bankers, which is repayable in quarterly instalments until October 2021. The company also has a £3 million revolving credit facility with Lloyds Bank.

Credit risks

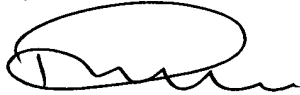
As the Group provides payment terms to its customers, there is always a risk of bad debts due to customer insolvency. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

IT systems and infrastructure

Our 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.

The Company has maintained its accreditation to ISO27001: Information Security Management.

By order of the board



Philip Gale
Director
12 June 2018

Valpak Holdings Limited

Directors' report

Registered No: 07597708

The directors present their report and audited financial statements for the year ended 31 December 2017.

Dividends

No dividends were paid or proposed during the year (2016: £1,665,000).

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, as disclosed in note 19. 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

Attracting, retaining and motivating the best people with the right skill sets throughout the organisation is key to our success. 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 2017 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 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 £1,317 during the year including to charities supported by the employees (2016: £1,250). In addition, the employees personally raised £2,634 for The Shakespeare Hospice and Parkinson's UK 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
12 June 2018

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
12 June 2018

Independent auditors' report
To the members of Valpak Holdings Limited**Opinion**

We have audited the financial statements of Valpak Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period to 31 December 2017 which comprises the Consolidated Income Statement, Consolidated and Parent company Balance Sheet, Consolidated and Parent company statement of cash flows, Consolidated Statement of Changes in Equity and related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent auditors' report
To the members of Valpak Holdings Limited**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report
To the members of Valpak Holdings Limited

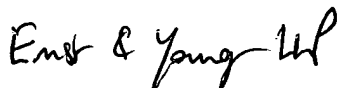
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
12 June 2018

Valpak Holdings Limited

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Revenue	4	63,811	55,559
Cost of sales		(50,024)	(41,312)
Gross profit		13,787	14,247
Administrative expenses		(9,408)	(9,049)
Operating profit	6	4,379	5,198
Finance income	7	180	77
Finance costs	8	(44)	(6)
Profit before tax		4,515	5,269
Income tax expense	10	(974)	(1,012)
Profit for the financial year	23	3,541	4,257

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 2017

	Notes	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Non-current assets					
Property, plant and equipment	11	1,715	1,749	-	-
Intangible assets	12	568	568	-	-
Investments in subsidiaries	14	-	-	2,364	2,364
Other non-current financial assets	13	11,070	10,922	11,070	10,922
Income tax receivable due over 1 year	10	3,598	-	3,598	-
Deferred tax assets	10	-	3,487	-	3,639
		16,951	16,726	17,032	16,925
Current assets					
Inventories	15	418	433	-	-
Trade and other receivables	16	6,615	5,029	61	-
Income tax receivable	10	-	-	36	-
Cash and short-term deposits	17	11,034	9,952	283	2,323
		18,067	15,414	380	2,323
Total assets		35,018	32,140	17,412	19,248
Current liabilities					
Borrowings	19	(480)	(480)	(480)	(480)
Trade and other payables	18	(15,373)	(12,385)	(3,311)	(4,823)
Income tax payable	10	(449)	(4,050)	-	(3,482)
		(16,302)	(16,915)	(3,791)	(8,785)
Net current assets / (liabilities)		1,765	(1,501)	(3,411)	(6,462)
Non-current liabilities					
Borrowings	19	(1,440)	(1,920)	(1,440)	(1,920)
Share based payments	20	(808)	(526)	(808)	(526)
Provision for liabilities: deferred tax	10	(148)	-	-	-
		(2,396)	(2,446)	(2,248)	(2,446)
Total liabilities		(18,698)	(19,361)	(6,039)	(11,231)
Net assets		16,320	12,779	11,373	8,017
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	14,870	11,329	9,923	6,567
Total equity		16,320	12,779	11,373	8,017

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



Steve Gough

Director

12 June 2018

Company Number: 07597708

Valpak Holdings Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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 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
Profit for the year	-	-	-	3,541	3,541
At 31 December 2017	8	742	700	14,870	16,320

Valpak Holdings Limited

Cash Flow Statement

For the year ended 31 December 2017

	Notes	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash flows from operating activities					
Cash generated from / (used in) operating activities	24	6,433	5,234	(2,040)	3,790
Interest received		32	49	8	-
Interest paid		(44)	(6)	(44)	(6)
Income tax (paid) / received		(4,538)	(1,074)	(3,502)	54
Net cash generated from operating activities		1,883	4,203	(5,578)	3,838
Cash flows from investing activities					
Purchase of property, plant and equipment		(322)	(354)	-	-
Proceeds from sale of property, plant and equipment		1	-	-	-
Net cash used in investing activities		(321)	(354)	-	-
Cash flows from financing activities					
Proceeds from borrowings		-	2,400	-	2,400
Repayment of borrowings		(480)	-	(480)	-
Dividends received from subsidiaries		-	-	4,018	2,531
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		(480)	(10,159)	3,538	(7,628)
Net increase / (decrease) in cash and cash equivalents		1,082	(6,310)	(2,040)	(3,790)
Net opening cash and cash equivalents		9,952	16,262	2,323	6,113
Net closing cash and cash equivalents	17	11,034	9,952	283	2,323

Valpak Holdings Limited

Notes to the financial statements

at 31 December 2017

1. Corporate information

The consolidated financial statements of Valpak Holdings Limited and its subsidiaries (collectively, the Group) for the year-end to 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 12 June 2018. 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 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 2017

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Standards issued but not adopted

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group:

- IFRS 9, Financial Instruments
- IFRS 16, Leases

The Group continues to assess the full impact of these standards, however, the impact is not expected to be material to the Group financial statements.

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 £3,356,000 (2016: £2,126,000 profit) mainly due to a dividend received from Valpak Limited for £4,018,000 (2016: £2,531,000).

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.

Notes to the financial statements (continued)

at 31 December 2017

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

b) Foreign currencies

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

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

c) Investments

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

d) Property, plant and equipment

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

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

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

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

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.

Notes to the financial statements (continued)

at 31 December 2017

2. Accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

h) Revenue recognition

IFRS15, 'Revenue from Contracts with Customers' has been early adopted by the Group for the year ended 31 December 2017. The Group has completed an assessment of the impact of IFRS15 and determined that the standard has had no material impact on the Group's financial reporting.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

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.

Notes to the financial statements (continued)

at 31 December 2017

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

at 31 December 2017

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

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.

Income tax receivable due over 1 year

The recoverability and value of the income tax receivable is kept under constant review and provision is made where appropriate (see note 10d).

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 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 2017

5. Segment information (continued)

Year ended	Compliance	Recycling	Total segments	Adjustments and eliminations	Total
31 December 2017	£000	£000	£000	£000	£000
Revenue					
External customers	54,752	9,059	63,811	-	63,811
Inter-segment	602	14	616	(616)	-
Total revenue	55,354	9,073	64,427	(616)	63,811
Results					
Depreciation and amortisation	288	68	356	-	356
Employee costs	6,175	313	6,488	-	6,488
Fees to environment agencies	1,845	-	1,845	-	1,845
Segment profit	4,738	391	5,129	(614)	4,515
Operating assets	20,966	2,255	23,221	11,797	35,018
Operating liabilities	14,020	1,826	15,845	2,853	18,698

Period 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

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 2017

5. Segment information (continued)

Reconciliation of profit

	2017	2016
	£000	£000
Segment profit	5,129	5,705
Finance income	180	77
Finance costs	(44)	(6)
Adjustments and eliminations *	(750)	(507)
Group profit	4,515	5,269

* Administration expenses relating to the Company which includes share based payments costs of £282,000 for 2017 (2016: £124,000) as these costs are managed on a group basis.

Reconciliation of assets

	2017	2016
	£000	£000
Segment operating assets	23,221	20,609
Deferred income tax assets	-	3,487
Taxes receivable	3,598	-
Adjustments and eliminations *	8,199	8,044
Group operating assets	35,018	32,140

* Segment operating assets do not include cash of £283,000 for 2017 (2016: £2,323,000), other non-current financial assets of £11,070,000 (2016: £10,922,000) (note 13), trade and other receivables of £61,000 (2016: £nil) and consolidation adjustments of -£3,215,000 (2016: -£5,201,000) as these assets are managed on a group basis.

Reconciliation of liabilities

	2017	2016
	£000	£000
Segment operating liabilities	15,845	13,331
Deferred income tax liabilities	148	-
Taxes payable	449	4,050
Adjustments and eliminations *	2,256	1,980
Group operating liabilities	18,698	19,361

* Segment operating liabilities do not include share based payments liability of £808,000 for 2017 (2016: £526,000), borrowings of £1,920,000 for 2017 (2016: £2,400,000), trade and other payables £75,000 (2016: £116,000) and consolidation adjustments of -£547,000 (2016: -£1,062,000) as these assets are managed on a group basis.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

6. Operating profit

Operating profit is stated after charging the following items:

	2017 £000	2016 £000
Audit of the financial statements	5	5
Audit of the subsidiary undertakings	68	61
Total audit fees	73	66
Other fees to auditors – taxation compliance services	31	34
Other fees to auditors – taxation advisory services	-	33
Employee costs (note 9)	6,488	6,418
Depreciation expense (note 11)	356	289
Operating lease rentals – land and buildings	22	21
Operating lease rentals – plant and equipment	118	144
Profit on disposal property, plant and equipment	(1)	-
Fees to environment agencies	1,845	1,859

7. Finance income

	2017 £000	2016 £000
Interest on bank deposits	32	49
Interest income on a loan to parent undertaking	148	28
	180	77

8. Finance costs

	2017 £000	2016 £000
Interest on bank balances	15	-
Interest on borrowings	29	6
	44	6

9. Employee costs and directors' remuneration

Employee costs for the Group for the year amounted to:

	2017 £000	2016 £000
Wages and salaries, including bonus and termination payments	5,596	5,494
Social security costs	612	589
Pension costs	280	335
	6,488	6,418

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

9. Employee costs and directors' remuneration (continued)

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

	2017 Number	2016 Number
Compliance	93	89
Recycling	9	9
Support Services	35	35
	137	133

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

	2017 £000	2016 £000
Remuneration including performance related bonuses	1,094	1,103
Highest paid director	394	406

The remuneration above is after the salary sacrifice by one director (2016: three) under Valpak's salary exchange scheme which resulted in pension contributions of £26,000 (2016: £106,000) during the year. This includes £nil (2016: £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

a) Income tax charged in the income statement

Group	2017 £000	2016 £000
Current income tax:		
Current income tax expense	966	4,583
Adjustment in respect of previous periods	12	(10)
Total current income tax	978	4,573
Deferred tax:		
Origination and reversal of timing differences	(5)	(3,563)
Effect of rate change	1	2
Total deferred tax	(4)	(3,561)
Income tax expense reported in the income statement	974	1,012

See notes 10(d) and 10(e) for explanation and movement of deferred tax and income tax balances related to the loan to Green Point Holdings 2 S.a.r.l.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

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 2017 and year ending 31 December 2016 is as follows:

	2017	2016
Group	£000	£000
Profit before income tax	4,515	5,269
At UK's statutory income tax rate of 19.25% (2016: 20.00%)	869	1,054
Income not taxable	(54)	(91)
Share option scheme	54	-
Non-deductible expenses for tax purposes	92	57
Adjustments in respect of prior years	12	(10)
Tax rate changes	1	2
Income tax expense reported in the income statement	974	1,012

c) Change in Corporation Tax rate

The standard rate of UK corporation tax will be reduced from 19% to 17% with effect from 1 April 2020. This rate change was enacted in the Finance Act 2016 on 15 September 2015 and where appropriate has been reflected in the Company's financial statements.

d) Deferred tax (liability) / asset

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

	2017	2016
Group	£000	£000
Opening balance	3,487	(74)
Deferred tax credited to income statement	5	3,561
Income tax receivable due over 1 year	(3,639)	-
Tax rate changes	(1)	-
Closing balance	(148)	3,487
The deferred tax (liability) / asset consists of:		
Accelerated capital allowances	(171)	(171)
Other timing differences	23	3,569
Share based payment	-	89
Deferred tax (liability) / asset	(148)	3,487

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

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

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

	2017	2016
Company	£000	£000
Opening balance	3,639	76
Deferred tax credited to income statement	-	3,563
Income tax receivable due over 1 year	(3,639)	-
Closing balance	-	3,639
The deferred tax asset consists of:		
Share based payment	-	89
Other timing differences	-	3,550
Deferred tax asset	-	3,639

There was no unprovided deferred tax at 31 December 2017 (2016: nil).

e) Income tax receivable due over 1 year

A loan was made to Green Point Holdings 2 S.a.r.l. in October 2016 (see note 13). Tax was paid on this loan as Green Point Holdings 2 S.a.r.l. is considered to be a close company under s459 Corporation Tax Act 2010. Tax paid in 2017 was £3,550,000 with a further £48,000 payable on the accrued loan interest. The Company believes that the loan will be repaid within the foreseeable future and has, therefore, established an income tax receivable due over 1 year for the full amount of the tax repayable.

11. Property, plant and equipment

Group	Freehold land & buildings £000	Plant & equipment £000	Total £000
Cost or valuation			
At 31 December 2016	1,373	1,389	2,762
Additions	-	322	322
Disposals	-	(56)	(56)
At 31 December 2017	1,373	1,655	3,028
Depreciation and impairment			
At 31 December 2016	174	839	1,013
Depreciation expense for the year	36	320	356
Disposals	-	(56)	(56)
At 31 December 2017	210	1,103	1,313
Net book value			
At 31 December 2017	1,163	552	1,715
At 31 December 2016	1,199	550	1,749

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 2017

12. Intangible assets

	Goodwill £000
Group	
Cost	
At 31 December 2016 and 31 December 2017	568
Accumulated amortisation and impairment	
At 31 December 2016 and 31 December 2017	-
Net book value at 31 December 2017	568
Net book value at 31 December 2016	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

	2017 £000	2016 £000
Group and Company		
Loan to parent undertaking	10,894	10,894
Accrued interest	176	28
	11,070	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. The principal and interest are fully repayable on sale of the company.

14. Investments in subsidiaries

	2017 £000	2016 £000
Company		
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%

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

15. Inventories

	2017	2016
Group	£000	£000
Raw materials and consumables	418	392
Finished goods	-	41
	418	433

There are no inventories for the Company.

16. Trade and other receivables

	Group	Group	Company	Company
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade receivables	5,690	3,897	-	-
Other receivables	1	1	-	-
Prepayments and accrued income	924	1,131	61	-
	6,615	5,029	61	-

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

As the Group provides payment terms to its customers, there is always a risk of bad debts due to customer insolvency. 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.

Impairment losses

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

	2017	2017	2016	2016
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	3,600	-	2,354	-
0-30 days overdue	989	-	1,218	-
Over 30 days overdue	1,114	13	333	8
	5,703	13	3,905	8

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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

17. Cash and short-term deposits

	Group	Group	Company	Company
	At 31 Dec	At 31 Dec	At 31 Dec	At 31 Dec
	2017	2016	2017	2016
	£000	£000	£000	£000
Cash at bank and in hand	11,034	9,952	283	2,323
	11,034	9,952	283	2,323

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.

18. Trade and other payables

	Group	Group	Company	Company
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade payables	11,747	9,218	5	116
Amounts owed to group undertakings	-	-	3,236	4,707
Social security and other taxes	195	171	-	-
Accruals and deferred income	3,431	2,996	70	-
	15,373	12,385	3,311	4,823

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

	2017	2016
Group and Company	£000	£000
Due within 1 year	480	480
Due 1-2 years	480	480
Due 2-5 years	960	1,440
	1,920	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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

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 2016	22,200
Forfeited during the year	(800)
At 31 December 2016	21,400
Forfeited during the year	(200)
At 31 December 2017	21,200

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 25 October 2018 then, based on the Black-Scholes model, there would be a charge of £282,000 in 2017 (£808,000 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 £282,000 in the Income Statement (included within administrative expenses), representing the cost of the scheme for 2017 (£808,000 since inception).

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	2017 Number	2016 Number	2017 £000	2016 £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.

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

23. Retained earnings

	Group £000	Company £000
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
Profit for the year	3,541	3,356
At 31 December 2017	14,870	9,923

24. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Operating profit	4,379	5,198	(749)	(508)
Depreciation	356	289	-	-
Profit on disposal of fixed assets	(1)	-	-	-
Operating cash flows before changes working capital	4,734	5,487	(749)	(508)
Changes in working capital:				
Decrease / (increase) inventories	15	(39)	-	-
(Increase) / decrease trade and other receivables	(1,586)	2,337	(61)	-
Increase / (decrease) trade and other payables	2,988	(2,675)	(1,512)	4,174
Share based payments	282	124	282	124
Cash flows generated from / (used in) operations	6,433	5,234	(2,040)	3,790

25. Analysis of net funds

	2017 £000	2016 £000
Non-current assets		
Loan to parent undertaking	10,894	10,894
	10,894	10,894
Current assets		
Cash at bank and in hand	11,034	9,952
	11,034	9,952
Current liabilities		
Borrowings	(480)	(480)
	(480)	(480)
Non-current liabilities		
Borrowings	(1,440)	(1,920)
	(1,440)	(1,920)
Total net funds	20,008	18,446

Valpak Holdings Limited

Notes to the financial statements (continued)

at 31 December 2017

25. Analysis of net funds (continued)

Reconciliation of net cash flow to movement in net funds

	2017 £000	2016 £000
Net funds at beginning of year	18,446	16,262
Increase / (decrease) cash at bank and in hand	1,082	(6,310)
Loan to parent undertaking	-	10,894
Decrease / (increase) borrowings	480	(2,400)
Net funds at end of year	20,008	18,446

26. 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 £8,700 (2016: £15,100) 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. The principal and interest are fully repayable on sale of the company. Interest accrued at 31 December 2017 was £175,406 (2016: 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.

The company has also made payments on behalf of Green Point Holdings 2 S.a.r.l. totalling £60,900 which remains outstanding on a non interest bearing receivables account.

27. 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.

28. 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:

Group	2017 £000	2016 £000
Within 1 year	21	44
Within 2 to 5 years inclusive	249	138
	270	182

The Company has no operating leases.