Valpak Limited

Reports and Financial Statements

for the year ended 31 December 2019

Registered Number: 07688691

Registered No: 07688691

Corporate information

Directors
The Rt Hon John Gummer Lord Deben
Steve Gough
Adrian Hawkes
Ruth Beckley
Paul Cox
John Sullivan
Duncan Simpson (resigned 1 May 2020)
Alan Price (resigned 30 September 2019)
Andrew McCaffery (resigned 2 August 2019)
Philip Gale (resigned 30 June 2019)

Secretary
John Sullivan

Auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Banker
Lloyds Bank Plc
Canons House
Canons Way
Bristol
BS1 5LL

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

Registered Office
Unit 4, Stratford Business Park
Banbury Road
Stratford-upon-Avon
Warwickshire
CV37 7GW

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The core business delivers compliance services within the regulated arena of Producer Responsibility in particular, Packaging, Waste Electrical and Electronic Equipment (WEEE) and Batteries. In support of the compliance schemes we have a market leading data services operation which, in addition to assisting members with their data reporting requirements in the UK, is helping companies comply with environmental legislation in continental Europe and other non-EU countries.

Business review and future developments

The Company 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 113% to £143.2 million as the cost of obtaining PRN evidence (packaging waste recovery notes) in support of our packaging scheme, has increased significantly over previous years in many material streams, most notably plastic and aluminium. These increases were driven by a combination of rising demand due to increases in government targets and at the same time restrictions in several recycling export markets resulting in supply difficulties. However, the increased funding through PRNs enabled alternative markets to be developed including an increase in UK recycling so that Valpak continued to fully meet its requirements.

Our Data Management and International Compliance business units increased revenue by 20% to £3.0 million during 2019. Our Data Insight Portal provides clients with market leading environmental reporting capability to analyse the volumes and types of packaging formats used, and supply chain transparency helping to build a clearer picture of business performance and risks.

The Company made an operating profit of £4.5 million during the year (2018: £4.4 million). All business units showed growth during the year with the contribution from data services ancillary to the compliance schemes continuing to grow in importance.

Indirect costs reduced by £0.6 million (6%) during 2019 to £9.3 million as 2018 included one-off costs for the sale of the Group.

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 of the packaging Extended Producer Responsibility (EPR) system. The Government set out its intentions for reform in the Resources and Waste Strategy for England issued in December 2018. This included plans to consult on detailed options for implementation of a new system and regulations from 2023. During 2019 Valpak engaged in many aspects of this policy reform including drafting comprehensive responses to four consultations and developing its own proposals for future scheme governance which were widely acknowledged by industry.

During 2019, Valpak's consulting team completed work on updating all the packaging material flow reports which provide evidence for the estimated flow of packaging on to and off the UK market. These reports are used by Government and other bodies as a key source of data to assess and develop UK packaging performance and reporting.

With consumers and stakeholders placing an increased focus on sustainability and the environment, many organisations are looking at ways they can minimise their impact. Valpak has continued to support brand owners and retailers taking environmental responsibility for their products and the associated packaging when they become waste.

Strategic report (continued)

Business review (continued)

Our annual customer satisfaction survey for 2019 has revealed overall customer satisfaction in excess of 98% and a "very satisfied" customer satisfaction of 66%, its highest level since the survey started in 2006. These results are a testament to the quality and expertise of our staff.

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

Principal risks and uncertainties

In pursuing the achievement of its business plans and objectives, the Company accepts that it is exposed to risks and potential opportunities. The Company 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.

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 Company 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 Valpak 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 authorities for material exported). These standards are subject to continual revision and new EU or UK legislation may have a material impact on the ability of the Company 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 environmental 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.

Strategic report (continued)

Principal risks and uncertainties (continued)

Brexit
Brexit is one of the most significant economic events for the UK, and its effect on the UK macro-economic environment are still unknown at the date of this report. However, as with any significant risk or uncertainty in the legal, political and economic environment that the Company operates in, the Directors have assessed the potential risks and uncertainties form Brexit and assessed their impact.

The Company operates almost exclusively in the UK market and has a well-diversified sector and client portfolio servicing a broad range from large multinationals to sole traders. Similarly, the Company's supply chain is almost exclusively UK based and as such the Company is not exposed directly to changes in supply lines, exchange related costs or provision of EU labour. As such the Company considers the risks from Brexit to be limited and adequately addressed by the risk strategies detailed.

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 management and international compliance, help to differentiate us from the competition.

Liquidity risks
The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Short term liquidity is also provided from existing Group funds and/or a revolving credit facility held at Group level.

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

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The board of Valpak Limited, individually and collectively, consider the interests of their stakeholders as an ongoing priority. We are committed to, and actively encourage, long-term relationships and communication with our stakeholders to maximise the value of our company and its continued success. During the year we have updated and implemented policies, systems and procedures in line with our responsibilities to our stakeholders.

Employees
We recognise our dedicated workforce as our biggest asset and key to our success. 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.

Strategic report (continued)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 (continued)

Employees (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.

We launched a third-party employee support line offering advice on personal wellbeing and financial matters. We are committed to promoting the awareness of mental health with and for our employees.

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

Customers
We recognise customer loyalty as invaluable and strive to build solid long-term relationships. We strive to deliver excellent customer service every time and seek innovative solutions to support this. We take pride in learning from our customer feedback.

Suppliers and Partners
We recognise and value the huge role our suppliers and business partners play in our success. We therefore take time to build rapport, working closely with them to maximise value where possible, and in turn supporting the needs of our customers.

Communities
We are at the heart of our communities and recognise our responsibility to be good, supportive and engaged neighbours. Our ethos is to build strong relationships with our local communities.

Regulators and Local Government
Developing and sustaining good relationships with the many regulators who govern our business is central to our success. We are committed to adherence to our legal and regulatory requirements. We train our employees using an in-house platform and face-to-face sessions accordingly, to ensure they are both educated and accountable in their role.

Carbon footprint

The Company 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.

By order of the board

S. Gough

Steve Gough
Director

11 December 2020

Directors' report

Registered No: 07688691

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

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.

Dividends

The Company made a profit after tax of £4,397,000 during the year (2018: £4,103,000). Dividends of £1,708,000 were declared and paid during the year to its parent company Valpak Holdings Limited (2018: £7,232,000).

Directors of the Company

The current directors are shown on page 1. There are no directors' interests requiring disclosure.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared a going concern assessment for the OS Phoenix Midco Limited Group, of which the company is a member, for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment due to COVID-19, including an additional period of lockdown, resulting in a reduction in revenue, and limited growth during 2021. This indicates that, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The OS Phoenix Midco Limited Group is funded through a combination of Shareholders' Funds, Secured term loans, Unsecured loan notes, intercompany balances and cash generated through operating profits. The Directors are satisfied that the maturity of these financing arrangements is sufficiently long term and there is not an immediate requirement to refinance or review the capital structure at this time. Whilst the UK's economic outlook resulting from the global COVID-19 pandemic remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant attached to the Secured term loans.

Those forecasts are dependent on the Group's immediate parent, OS Phoenix Topco Limited, not seeking repayment of the amounts due from the group which at the year-end amounted to £75,599k. OS Phoenix Topco Limited has indicated its intention to continue to make available such funds as are needed by the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, until such time that the Group is able to realise its assets and discharge its liabilities as they fall due. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Directors' report (continued)

Going concern (continued)

Taking the above into consideration, the Directors believe that there are no material uncertainties to the Group's ability to operate as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

Valpak Limited's intermediate parent, OS Phoenix Midco Limited, have provided a letter of support to confirm their intention to continue to operate a centralised Group treasury arrangement, facilitating the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Political and charitable contributions

The Company has not made any political contributions during the year.

The Company made charitable contributions of £2,600 during the year (2018: £1,100). In addition, the employees personally raised £2,200 through various fund-raising events.

Supplier payment policy and practice

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

Auditors

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

Disclosure of information to auditors

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board

S. Gough

Steve Gough
Director
Unit 4, Stratford Business Park
Banbury Road
Stratford-upon-Avon
Warwickshire
CV37 7GW

11 December 2020

Statement of Directors' responsibilities in respect of the Directors' report and the Financial Statements

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report
to the members of Valpak Limited

Opinion
We have audited the financial statements of Valpak Limited ("the company") for the year ended 31 December 2019 which comprise the Income Statement, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies in note 1.

In our opinion, the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS *102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled ethical responsibilities and are independent of the company in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

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.

Chris Cole, Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

11 December 2020

Income statement

For the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	2	**143,180**	67,232
Cost of sales		**(129,391)**	(52,951)
Gross profit		**13,789**	14,281
Administrative expenses excluding depreciation, amortisation and impairment		**(8,918)**	(9,627)
Depreciation, amortisation and impairment		**(359)**	(239)
Administrative expenses		**(9,277)**	(9,866)
Excluding depreciation, amortisation and impairment ("EBITDA")		**4,871**	4,654
Depreciation, amortisation and impairment		**(359)**	(239)
Operating profit	3	**4,512**	4,415
Income from investments		**823**	500
Interest receivable and similar income	4	**54**	42
Interest payable and similar charges	5	**(69)**	-
Profit before taxation		**5,320**	4,957
Taxation	7	**(923)**	(854)
Profit for the financial year		**4,397**	4,103

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

The notes on pages 14 to 27 are an integral part of these financial statements.

Balance sheet
at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Investments	8	**31**	31
Intangible assets	9	**229**	-
Tangible assets	10	**1,452**	1,596
Other non-current assets	11	**225**	250
		1,937	1,877
Current assets			
Stocks	12	**401**	511
Debtors: amounts falling due within one year	13	**21,639**	17,230
Cash at bank and in hand		**4,492**	2,423
		26,532	20,164
Current liabilities			
Creditors: amounts falling due within one year	14	**(22,239)**	(18,782)
Corporation tax payable	7	**(571)**	(351)
		(22,810)	(19,133)
Net current assets		**3,722**	1,031
Provision for liabilities: deferred tax	7	**(158)**	(96)
Net assets		**5,501**	2,812
Capital and reserves			
Called up share capital	15	**-**	-
Share premium	15	**1,796**	1,796
Profit and loss account		**3,705**	1,016
		5,501	2,812

The notes on pages 14 to 27 are an integral part of these financial statements.

The financial statements on pages 11 to 13 were authorised for issue by the board of directors on 11 December 2020 and were signed on its behalf.

Steve Gough
Director
Company registered number: 04683865

Statement of changes in equity

For the year ended 31 December 2019

	Attributable to equity holders of the parent			
	Issued capital (note 15) £000	Share premium (note 15) £000	Profit and loss account £000	Total £000
At 31 December 2017	**-**	**1,796**	**4,145**	**5,941**
Profit for the year	-	-	4,103	4,103
Dividend declared and paid	-	-	(7,232)	(7,232)
At 31 December 2018	**-**	**1,796**	**1,016**	**2,812**
Profit for the year	-	-	4,397	4,397
Dividend declared and paid	-	-	(1,708)	(1,708)
At 31 December 2019	**-**	**1,796**	**3,705**	**5,501**

The notes on pages 14 to 27 are an integral part of these financial statements.

1. Accounting policies

Valpak Limited is a private company limited by shares incorporated in England. The registered number is 07688691 and the registered office is Stratford Business Park, Banbury Road, Stratford-upon-Avon, CV37 7GW.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" ("FRS 102") and the Companies Act 2006.

The Company's ultimate parent undertaking, OS Phoenix Midco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of OS Phoenix Midco Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House.
In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

As the consolidated financial statements of OS Phoenix Midco Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Basis of preparation

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

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

The principal accounting policies adopted by the Company are set out in note 1.6.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared a going concern assessment for the OS Phoenix Midco Limited Group, of which the company is a member, for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment due to COVID-19, including an additional period of lockdown, resulting in a reduction in revenue, and limited growth during 2021. This indicates that, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

Notes to the financial statements (continued)
at 31 December 2019

1. Accounting policies (continued)

1.2 Going concern (continued)

The OS Phoenix Midco Limited Group is funded through a combination of Shareholders' Funds, Secured term loans, Unsecured loan notes, intercompany balances and cash generated through operating profits. The Directors are satisfied that the maturity of these financing arrangements is sufficiently long term and there is not an immediate requirement to refinance or review the capital structure at this time. Whilst the UK's economic outlook resulting from the global COVID-19 pandemic remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant attached to the Secured term loans.

Those forecasts are dependent on the Group's immediate parent, OS Phoenix Topco Limited, not seeking repayment of the amounts due from the group which at the year-end amounted to £75,599k. OS Phoenix Topco Limited has indicated its intention to continue to make available such funds as are needed by the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, until such time that the Group is able to realise its assets and discharge its liabilities as they fall due. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Taking the above into consideration, the Directors believe that there are no material uncertainties to the Group's ability to operate as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

Valpak Limited's intermediate parent, OS Phoenix Midco Limited, have provided a letter of support to confirm their intention to continue to operate a centralised Group treasury arrangement, facilitating the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Related party transactions

As the whole of the company's voting rights are controlled within the group headed by OS Phoenix Midco Limited, the Company has taken advantage of the exemption contained in FRS 102 and has, therefore, not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of OS Phoenix Midco Limited, within which this Company is included, can be obtained from Companies House.

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.5 Basic financial instruments

a) Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

b) Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the financial statements (continued)
at 31 December 2019

1. Accounting policies (continued)

1.6 Significant accounting policies

a) Foreign currencies
The company's financial statements are presented in Sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

b) Business combinations
Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the company recognises goodwill at the acquisition date as:
- Fair value of the consideration (excluding contingency consideration) transferred; plus
- Estimated amount of contingent consideration (see below); plus
- Fair value of the equity instruments issued; plus
- Directly attributable transaction costs; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.
Consideration which is contingency on future events is recognised based on the estimated amount if the contingent consideration is probably and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

c) Goodwill
Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. Depending on the underlying circumstances of acquisition and related underlying businesses, the finite useful lives of related goodwill arising are estimated to be between 5 and 10 years at the date of acquisition.

Fair values on acquisition have been calculated based on their net book values at the date of acquisition.

The company reviewed the amortisation period and method when events and circumstances indicate the useful life may have changed since the last reporting date. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes to the financial statements (continued)
at 31 December 2019

1. Accounting policies (continued)

1.6 Significant accounting policies (continued)

d) 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.

e) Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

1. **Accounting policies (continued)**

1.6 Significant accounting policies (continued)

e) Impairment excluding stocks and deferred tax assets (continued)

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amounts paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the assets capable of operating as intended.

Depreciation is provided on all tangible fixed assets on a straight-line basis over its expected useful life as follows:

Freehold buildings	50 years
Plant and machinery	2 to 7 years
Fixtures and fittings	5 years
Office equipment	3 years
Computer equipment	3 to 5 years

The carrying values of property of tangible fixed asset are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the period of derecognition.

g) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:
- Raw materials and consumables - purchase cost on a first in, first out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1. Accounting policies (continued)

1.6 Significant accounting policies (continued)

h) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

i) Leases

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

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

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

j) Employee benefits

Defined contribution plans and other long-term employment benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the profit and loss account in the periods during which services are rendered by employees.

Notes to the financial statements (continued)
at 31 December 2019

1. Accounting policies (continued)

1.6 Significant accounting policies (continued)

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

2. Turnover

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.

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 WEEEE, batteries waste and environmental consulting. All business is from continuing operations and is derived from the UK.

3. Operating profit

This is stated after charging:

	2019	2018
	£000	£000
Audit of the financial statements	**81**	66
Other fees to auditors – taxation services	**36**	37
Other fees to auditors – other services	**-**	39
Employee costs (note 6)	**6,966**	6,970
Depreciation of owned assets	**224**	239
Amortisation of goodwill	**4**	-
Impairment of investment (note 8)	**131**	-
Operating lease rentals – land and buildings	**8**	21
Operating lease rentals – plant and equipment	**74**	90
Fees to environmental agencies	**1,576**	1,559

Auditors' remuneration of £13,000 (2018: £10,000) is included in the above charge relating to the company's subsidiaries.

4. Interest receivable and similar income

	2019	2018
	£000	£000
Interest on bank deposits	**54**	42

5. Interest payable and similar charges

	2019	2018
	£000	£000
Other interest payable	**69**	-

6. Staff costs and directors' remuneration

	2019 £000	2018 £000
Wages and salaries, including bonus and termination payments	**6,025**	6,046
Social security costs	**633**	659
Pension costs	**308**	265
	6,966	6,970

Average number of employees, including directors, during the year:

	2019 Number	2018 Number
Compliance	**112**	101
Support services	**29**	34
	141	135

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

	2019 £000	2018 £000
Remuneration including performance related bonuses	**791**	986
Highest paid director	**205**	204

The remuneration above are after the salary sacrifice by four directors (2018: four) under Valpak's salary exchange scheme which resulted in pension contributions of £37,000 (2018: £49,000) during the year. This includes £nil (2018: £nil) in respect of the highest paid director.

7. Taxation

a) Tax charged in the income statement

	2019 £000	2018 £000
Current income tax:		
UK corporation tax	**866**	903
Adjustment in respect of previous periods	**(5)**	(6)
Total current income tax	**861**	897
Deferred tax:		
Origination and reversal of temporary differences	**62**	(48)
Effect of changes in tax rates	**-**	5
Total deferred tax	**62**	(43)
Tax expense in the income statement	**923**	854

7. Taxation (continued)

b) Reconciliation of the total tax charge

The tax assessed on the profit for the year is different from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 £000	2018 £000
Profit before income tax	**5,320**	4,957
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	**1,011**	942
Non-taxable income	**(156)**	(95)
Expenses not deductible for tax purposes	**73**	8
Fixed asset differences	**7**	-
Tax rate changes	**(7)**	5
Adjustments in respect of prior years	**(5)**	(6)
Tax expense in the income statement	**923**	854

c) Change in Corporation Tax rate

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset / (liability) as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset / (liability).

d) Deferred tax liability

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

	2019 £000	2018 £000
Accelerated capital allowances	**163**	176
Other timing differences	**(5)**	(80)
Deferred tax liability	**158**	96

There was no unprovided deferred tax at 31 December 2019 (2018: nil).

8. Investments

Investment in Subsidiary Undertakings	£000
Cost	
At 1 January 2019	51
Acquisition of subsidiary undertaking	364
At 31 December 2019	**415**
Impairment	
At 1 January 2019	(20)
Transfer to goodwill (see note below)	(233)
Charge for the year	(131)
At 31 December 2019	**(384)**
Net book value at 31 December 2019	**31**
Net book value at 31 December 2018	31

On 12 November 2019, all the trade and net assets of Outpace Limited were hived up at their book value.

The cost of the Company's investment in this subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in the subsidiary undertaking fell below the amount at which they were stated in the Company's accounting records. Schedule 1 to the Companies Act 2006 *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations* 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account.

However, the directors considered that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets and goodwill. The effect of this departure was to the increase the Company's profit for the final year by £233,000 and to increase the amount of goodwill by £233,000 in the Company's balance sheet.

Details of the Company's principal subsidiaries which are all incorporated in England and Wales are set out below:

Company name	Principal activity	Share of ordinary allotted capital and voting rights
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%

Notes to the financial statements (continued)
at 31 December 2019

9. Intangible fixed assets

Goodwill	£000
Cost	
At 1 January 2019	-
Hive up of subsidiary undertaking	233
At 31 December 2019	**233**
Amortisation	
At 1 January 2019	-
Charge for the year	(4)
At 31 December 2019	**(4)**
Net book value at 31 December 2019	**229**
Net book value at 31 December 2018	-

On 12 November 2019 all the trade and net assets of Outpace Limited were hived up to the Company including purchase goodwill of £233,000.

10. Tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Furniture and fittings £000	Computer and office equipment £000	Total £000
Cost or valuation					
At 1 January 2019	1,370	291	117	1,349	3,127
Additions	-	-	24	57	81
Disposals	-	-	-	(182)	(182)
At 31 December 2019	**1,370**	**291**	**141**	**1,224**	**3,026**
Depreciation					
At 1 January 2019	242	212	53	1,024	1,531
Charge for the year	35	48	22	119	224
Disposals	-	-	-	(181)	(181)
At 31 December 2019	**277**	**260**	**75**	**962**	**1,574**
Net book value					
At 31 December 2019	**1,093**	**31**	**66**	**262**	**1,452**
At 31 December 2018	1,128	79	64	325	1,596

There are no leased assets or assets acquired under hire purchase contracts.

11. Other non-current assets

	2019	2018
	£000	£000
Other non-current assets	**225**	250
	225	250

Other non-current assets include prepayments totalling £225,000 (2018: £250,000) which are due over one year.

12. Stocks

	2019	2018
	£000	£000
Raw materials and consumables	**401**	511
	401	511

13. Debtors: amounts falling due within one year

	2019	2018
	£000	£000
Trade debtors	**11,168**	8,839
Amounts owed by group undertakings	**5,223**	7,178
Other debtors	**1**	1
Prepayments and accrued income	**5,247**	1,212
	21,639	17,230

Trade and other debtors are non-interest bearing and are generally on 30-90 day terms. Amounts owed by group undertakings are non-interest bearing and are settled in cash within 30-day terms where appropriate.

14. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	**19,806**	15,024
Amounts owed to group undertakings	**502**	536
Other taxes and social security	**263**	206
Accruals and deferred income	**1,668**	3,016
	22,239	18,782

The carrying value of trade and other creditors 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.

15. Called up share capital and share premium

	2019 Number	2018 Number	2019 £000	2018 £000
Authorised and called up share capital				
Ordinary shares of 1p each	**4,018**	4,018	**-**	-
Share premium				
Share premium			**1,796**	1,796

16. Related party transactions

At the balance sheet date, the Company was a wholly owned subsidiary of Valpak Holdings Limited. The Company has taken advantage of the exemption in FRS 102 Section 33 not to disclose transactions or balances with fellow group companies. There are no other related party transactions.

17. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Valpak Holdings Limited.

At the balance sheet date OS Phoenix Midco Limited is the parent undertaking if the largest group for which group financial statements have been prepared. These consolidated financial statements are available from Companies House.

The ultimate parent undertaking and controlling party is OS Phoenix Topco Limited (registered in Jersey at 11-15 Seaton Place, St Helier, Jersey JE14 0QH).

18. Operating and finance lease commitments

The Company 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. Annual commitments are as follows:

	2019 £000	Restated 2018 £000
Within 1 year	**68**	39
Within 2 to 5 years inclusive	**49**	184
	117	223