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# ANNUAL REPORT FINANCIAL STATEMENTS 2011

THURSDAY



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#### Compliance Scheme Registration Numbers

Packaging	WEEE	Batteries
NPWD108881	WEEMP3438PFSC	BCS2010709/E
NPWD107099	WEEKP3838PWSCH	
NPWD109339		

# Board of Directors

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## Executive Directors

**The Rt Hon. John Gummer, Lord Deben** Chairman

**Steve Gough** Chief Executive Officer

**Philip Gale** Finance Director and Company Secretary

**Adrian Hawkes** Policy Director

## Non-Executive Directors

**Gerald Orbell** Senior Independent Director

**Andrew Green**

**Martin Webb**

**George Chadfield**

**Jacqueline O'Neill**

## The Executive Management Team

**Steve Gough** Chief Executive Officer

**Philip Gale** Finance Director

**Adrian Hawkes** Policy Director

**Andrew McCaffery** Director of Consulting

**Duncan Simpson** Director of Sales and Marketing

**Alan Price** Director of Procurement

**Ruth Beckley** Director of Compliance & Customer Service

**Lisa Regan** Director of Human Resources

**Damian Perkins** Managing Director VRL (North West) Ltd

## Auditors

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

## Bankers

Barclays Bank PLC, Level 28, 1 Churchill Place,  
Canary Wharf, London, E14 5HP

## Solicitors

Squire Sanders (UK) LLP, Rutland House,  
148 Edmund Street, Birmingham, B3 2JR

# Chairman's Statement

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I am pleased to report that Valpak has successfully complied with producer responsibility legislation for its packaging compliance scheme members in 2011, and remains on track to comply in 2011 for our waste electrical and electronic equipment (WEEE) and battery compliance scheme members

## We have maintained our market leading position in all areas of producer responsibility

We have maintained our market leading position in all areas of producer responsibility, with another very competitive performance. Our core business has, again, received strong support from our recycling and consulting services business units, which have been organically developed to provide further valued services that support our members and customers.

It was heartening to see that the prolonged negotiations in the EU over the recast of the WEEE Directive were finally concluded in December 2011. Although this gives our members greater certainty over future targets, the details of implementation require further work which will be a key focus of our activity during 2012.

We have also made considerable progress on the significant task of raising the collection of batteries for recycling to meet the 25% target for 2012 and we now have over 30,000 collection locations throughout the UK.

In my statement last year I expressed concerns that the Government's decision to set unchanged packaging targets (excepting small increases in steel and plastic targets), for 2011 and 2012 would test the resilience of the Packaging Waste Recovery Note (PRN) system. I also advocated that gradually rising packaging recycling targets should be set for the next five years, a view which had widespread industry support during the 2010 consultation process. I am pleased that the Government has recently set out its proposals to return to more progressive targets and we await the outcome of this consultation exercise with interest.

This coming year will see changes in the legal structure of Valpak but the service quality, the staff and their commitment to the customer will continue as before.

The legal changes were necessitated because your Board were acutely aware that a significant proportion of our revenues and contribution came from the packaging compliance business on which Valpak was founded. At the same time we had a fiduciary duty to secure the company's future, on behalf of all stakeholders

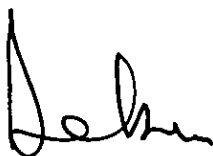
**The favourable vote also represented 99% of the obligated tonnage**

It was agreed that we needed to accelerate our diversification programme, limit the cost impact to members and negate the increased risk to members that diversification brings. These objectives could not be achieved under the existing structure. A new legal structure was proposed which would allow the business, at no cost or risk to existing members, to deliver more services to our members and customers while accepting that our reliance on the packaging legislation will continue to decline.

I am pleased to report that members voted overwhelmingly, by 91%, in favour of this new structure. Their favourable vote also represented 99% of their obligated tonnage. We now await sanction of the Court before embarking on this new journey.

I would like to take this opportunity to thank you, the members, many of whom have been with us since our inception in 1997. Without this continuing support we would not have been able to build a compliance services business which is valued and respected by all stakeholders. We intend now to make the very good, even better.

Finally, whilst your support still is paramount, we would have achieved little without the skilled workforce we have employed. Our success is and will remain a lasting testament to their dedication, hard work and adaptability.



The Rt Hon John Gummer, Lord Deben  
Chairman  
6 March 2012

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# Interview with Steve Gough

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**Steve, how has Valpak performed in 2011?**

Once again we have demonstrated that we can comply competitively on behalf of our packaging, WEEE and battery members, whilst maintaining extremely high levels of customer service

After listening to our customers' requirements, we are now supporting and assisting companies that need to be compliant with producer responsibility obligations both overseas and in the UK

During the early part of 2011 we obtained PAS 2060 2010 certification, which has accredited Valpak as a carbon neutral company. In addition, we maintained all of our existing certifications which include ISO 14001, ISO 9001 and OHSAS 18001. We are very proud of these achievements as they demonstrate our commitment to the environment and to continually improving the quality of our customer service and the safety of our staff

I am delighted to announce that our 2011 annual customer satisfaction survey has revealed that customer satisfaction is at its highest level in over 6 years. This is a great accomplishment which pays tribute to the quality of our staff and their expertise

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We are grateful for the continued support of the Valpak Advisory Group, which has been instrumental in helping us to further understand our members' requirements, the challenges that they face and how we can help them to meet those challenges

**What achievements stood out for you in 2011?**

The company is now in a better position to provide solutions which will help our members to meet the environmental and commercial challenges that they face. It is an exciting time for us as we look to change our commercial model. The changes will allow us to access partner funding which will enable the business to evolve more quickly

The expansion of the business has created new opportunities for staff and has helped to enhance our expertise and knowledge. For example, a number of Valpak employees are now IEMA (Institute of Environmental Management and Assessment) qualified, which has served to broaden their producer responsibility auditing skills to a much wider arena

**What improvements would you make?**

We continually look to understand our members' requirements so that we can offer services to meet their needs. Our customer survey is one of the tools which we use to guide us and has influenced many changes over the years, including updates to the Valpak website

A new website and Members' Area was launched in 2011, which has been designed to make it easier for members to use and submit their data returns to us. We will continue to make improvements to this important part of the website in 2012, by incorporating any feedback that we receive

We have also created a new Knowledge Centre, to provide guidance and answers to frequently asked questions on all areas of producer responsibility compliance. For many of our members complying with environmental legislation is just a small part of what they do. With this in mind, we will

continue to expand our services to help our members with the wider environmental and commercial challenges that they face

#### What challenges do you anticipate for 2012?

Earlier this year the Government released a consultation proposing to increase the recycling targets for certain packaging materials. One of the materials subject to a potentially large increase in target is plastic. If the Government sets these proposed higher plastic targets from 2013 onwards, continuing to maintain competitive compliance will prove to be a real challenge. PRN prices are entirely dependent on supply and demand and tighter markets and increased demand always means an increase in PRN prices. As these changes could affect a large number of our members, we will prepare in advance so that we can meet the targets whilst keeping a lid on costs to our members. That said, we have a fantastic track record of insulating our members against price spikes by working with reprocessors for the medium term.

We will also strive to maintain the high standards of customer service that our members expect across all of our services, whether they are long established or new. We know that our members value Valpak's expertise, reliability and service, therefore, attention to detail and quality will be applied when new services are established.

#### What key initiatives and product launches should we watch out for from Valpak in 2012?

Throughout 2012 we will look to continue and grow the partnerships that we have developed with local authorities. During 2011, we saw the development of some exciting partnership initiatives, especially with regard to battery and WEEE collections, and I strongly believe that we'll see the emergence of other new projects and initiatives in 2012.

This year we are set to launch and develop some exciting new services to help our customers to achieve compliance on a broad range of issues, manage their costs and to enhance their reputations.

Watch this space!

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# About Valpak

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In today's environment, organisations are finding themselves challenged with meeting increasingly demanding sustainability targets. Setting the right objectives and implementing efficient and simple strategies to meet these targets has never been more important.

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**Valpak has been providing simple, innovative solutions to over 4,000 customers since 1997**

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Valpak has been providing simple, innovative solutions to over 4,000 customers since 1997 when the first piece of producer responsibility legislation, the Packaging Waste Regulations, was introduced in the UK. Since then we have gone on to provide solutions for organisations obligated under the WEEE Regulations, the Waste Batteries and Accumulators Regulations and the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. We have also expanded our services to cover the wider areas of sustainability including carbon, energy, waste management and international compliance.

Whether your goals are to achieve legal compliance, maximise cost savings, enhance your environmental reputation or enrich your knowledge, our unique level of expertise in the ever growing field of sustainability means that we can work in partnership with you to find the best possible solution to meeting those objectives.

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# 2011 at a Glance

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# Ensure you are Compliant

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## UK and International Compliance

We continued to be the leading provider of producer responsibility solutions in 2011, helping our members to comply with packaging, WEEE and batteries legislation

Our 2011 customer satisfaction survey revealed that our members value our knowledge of the regulations, reliability and customer service. We take customer feedback very seriously as we are always looking to improve and incorporate feasible suggestions. In response to 2010 member feedback, we worked on a number of initiatives in 2011. These included the launch of a new website with a dedicated Knowledge Centre, an increase in the number of dedicated account managers and the continuation of our popular Compliance Data Workshops.

**‘...Valpak are the packaging compliance experts...’**

Peter Claxton, Head of Logistics  
• Jamie at Home

We successfully broadened our expertise to help members to be compliant with producer responsibility obligations overseas as well as in the UK.

We can now identify whether an organisation has environmental obligations in other countries and provide guidance on how to comply in those countries. We can fully manage the whole process if an organisation wishes and deliver bespoke training, giving customers the knowledge and skills that they need to comply for their business.

During 2011, a number of well-known brands signed up to our International Compliance Service. We are looking to grow this service over the coming years.

## Extra Support to Ensure you Comply

Our Data Consulting service continued to grow and diversify, providing a wide range of packaging, WEEE and battery compliance scheme members with tailored solutions.

The solutions provided by our data consultants are bespoke which ensures that they fit in with the needs of the business concerned. We have helped customers by providing them with packaging weights, calculating their data submissions, analysing and populating their data forms and by offering practical advice to improve their data.

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accuracy This service has helped to reduce the burden of compliance for our Data Consulting customers, saving them time and resources

During 2011 we received some fantastic feedback and some of our customers were happy to provide us with testimonials which can be found on our website

Last year our established Data Solutions department provided fully managed data services to organisations that make up over 20% of the UK obligated packaging tonnage. We are now working with our members to provide them with bespoke reports that will help them to manage costs associated with their packaging

#### Civil Sanctions

Prior to 2011, any company obligated under the UK Packaging Waste Regulations that was found not to be complying would have faced criminal prosecution. The introduction of civil sanction powers in January 2011 now means that there are more options available to Environment Agency (EA) enforcement officers when dealing with non-compliant companies

Valpak were one of the first schemes to successfully assist a company with taking advantage of the new EA civil sanction powers. We have now guided and helped a range of businesses through this process, which can be time consuming and complex

Non-compliance with regulations can lead to financial penalties and damage a business's reputation. We ensure that our website contains free guidance on how to comply with Producer Responsibility Regulations and we are looking to offer free compliance health checks in 2012

#### Battery & WEEE Collections

We have been working on a range of initiatives to source waste batteries and WEEE which in turn will help to secure compliance evidence on behalf of our battery and WEEE scheme members

**'...We are extremely pleased  
to have Valpak as our  
compliance partner...'**

John Cooper, QSE Manager  
Speciality Minerals Lifford Ltd

Valpak provide a number of local authorities, retailers, schools and other organisations with collection points for used household batteries and small mixed WEEE. Local authority partnerships have been created so that we can offer battery recycling at kerbside. There are now 16 kerbside collection schemes in operation, all of which have been well received. In addition, we have supported the implementation of school battery collection competitions in a number of local authority areas including Lancashire, Walsall and Kent

A number of trials were implemented in 2011, these included, WEEE kerbside collections, WEEE collections in schools in the North East of England and the introduction of small mixed WEEE bring banks at seven Stafford locations. These trials are part of a wider recycling and education programme which has proved very successful

We part-funded a waste electronics recycling advert, which was aired to the nation straight after Christmas, to encourage consumers to recycle their small household waste electrical and electronic items. We hope that the advert will help to ensure that more waste electronic items are recycled and that fewer waste electronic items end up at landfill sites in 2012

# Manage Your Costs

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## Pointing you in the Right Direction

Managing business activities effectively can improve efficiencies, reduce costs and help to direct strategy. This also applies to waste management, energy use, carbon emissions and all other activities that use a resource.

Knowing where to start can be difficult. With this in mind we not only made our waste audits free for our members during 2011, but we set up environmental and energy audit services. These services, which are delivered by our IEMA trained auditors, help organisations to identify priorities and set out recommendations and suitable goals.

## Providing Total Waste Management Solutions

We continue to provide total waste management solutions to our customers, collecting a wide range of materials including card, plastic, food waste, textiles, hazardous waste, glass, WEEE.

98% of collections were achieved on time during 2011 and we will strive to maintain our dedicated and efficient service. All accreditations were retained and our open book pricing model provided our customers with visibility and confidence. We pride ourselves on being open about our prices and provide our customers with audit trails for their waste and recycling to ensure that their reputation is protected.

Throughout the year, our dedicated recycling account managers worked closely with our customers to enhance their recycling processes. For example, we provided dedicated and bespoke training and we created communication materials to help our customers to engage with and educate their employees. All of these steps have helped to improve the volume and value of the materials collected.

Our account managers also sourced solutions for difficult to recycle materials which helped some of our customers to achieve their environmental objectives, such as zero waste.

During 2011, we hosted a series of tours and seminars at our material recovery facility (MRF) in Preston. These were very well received as they gave our customers a chance to see how our MRF operates and to understand why and how we sort and bale waste materials. Delegates were able to see for themselves that we are committed to providing a healthy and safe working environment for all of our employees and others affected by our activities. Details of additional tours in 2012 will be on our website in due course.

## Measuring your Carbon Impact

Our team of carbon footprinting experts have experience of supporting companies with every aspect of carbon management. We saw a significant increase in the number of members that we worked with in 2011, and we maintained the level of work that we undertook for the government and public sector.

The projects that we worked on were varied and included

- organisational carbon footprints for British Polythene Industries Plc (BPI)
- a bespoke carbon footprinting workshop specifically for Cooper Industries Plc
- an external peer review of carbon footprinting model for Endeka Ltd

These are just a few examples of the projects and initiatives that our experts were involved in, all of which aimed to help businesses to better manage their carbon impacts. More examples of work we have undertaken can be found on [www.valpak.co.uk](http://www.valpak.co.uk)

## Managing your Energy Consumption and Costs

To complement our Carbon Services, we established new Energy Management Services in 2011. These services include

- energy auditing on sites to review current energy management practices and make recommendations for low-cost and no-cost energy reduction measures
- advice on energy metering systems to assist companies in measuring and reducing their energy consumption
- an energy brokerage service through which members can secure lower on-going costs for energy supply

We have seen a steady increase of interest in these services from a range of industries. Our offer includes a range of support from practical reports to a dedicated Environmental Manager who can work within a customer's organisation for an agreed number of days every month.

To assist our members with the communication of messages to their staff and customers, we created a range of free energy saving posters which are available to download from our website. These posters communicate how everyone's actions can aid energy reduction, which in turn can lead to cost savings.

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# Enhance your Reputation

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**Corporate Social Responsibility (CSR) in Action**  
Valpak were approached by Sainsbury's as they wanted to trial a front of store recycling service for their customers as part of their CSR programme. We were asked to provide them with a collection service for small mixed WEEE.

We listened closely to their brief to find a bespoke solution and worked closely with trusted suppliers to source both the recycling bank and the collection service. A unique, branded 'Sainsbury's' recycling service was produced and the service was rolled out smoothly at the beginning of December 2011 to 13 of their stores. An additional 9 stores now benefit from this service.

**We found a bespoke  
solution and worked with  
trusted suppliers**

**Supporting Extended Producer Responsibility**  
In 2011 our Consulting team managed two projects on behalf of global brand owners. These companies are committed to extended producer responsibility as it helps them to improve the environmental credentials of their products. Both projects were designed to help local authorities to increase the quantity of packaging that they recycle, therefore aiding the recovery of the packaging that these companies place onto the UK market.

Our consultants undertook research to identify the most effective way of recovering the packaging types specified by the global brands. Our valuable network of contacts and relationships with local authorities and major retailers enabled them to develop and undertake suitable mixed plastics collection trials.

At a time when there have been significant cuts to local authority budgets, initiatives such as these can help local authorities to increase recycling rates.

**Reporting using Data and Knowledge you can Trust**

Over the past few years major grocery retailers and brand owners signed up to the Courtauld Commitment, a voluntary commitment to reduce household waste through packaging reduction. In 2011, our Data Solutions

team has provided reporting services for four major retailers to help them with their Courtauld Commitment targets and to monitor their progress. The reports have aided packaging reduction which has in turn led to reduced packaging waste obligations and costs.

Our expertise and knowledge of the waste and recycling industry has enabled our consultants to deliver key pieces of work. Examples include:

- Waste Resources Action Programme (WRAP)
  - China Recycling Market Sentiment (Paper & Plastic)
- Zero Waste Scotland
  - Waste Prevention & Diversion Reviews
- Kent County Council
  - Benchmarking of WEEE bring collections
- Tata Steel
  - Modelling the flow of steel packaging in the UK

We worked with Kent County Council to help them to better understand the trends in their WEEE collections and how this compared to other local authorities and national collections.

This detailed report identified a number of issues. It enabled Kent to further enhance their understanding of their WEEE recycling performance and provided a platform from which they can continue to improve.

### Rewarding Recycling Partnerships

Valpak won an exciting bid to operate a recycling rewards scheme to increase recycling, reduce landfill, increase awareness of local facilities and to investigate new methods of communication with residents. The North East Recycling Rewards scheme is an innovative partnership of 13 organisations from a range of sectors.

Since December 2011, residents of all of the 650,000 households within the five participating council areas have been encouraged to register to participate in this unique scheme. Residents have the opportunity to be entered into a prize draw just for using the kerbside recycling facilities provided by their council. The scheme is being run for 8 months, and each month 5 prize winners will be selected at random from those residents that have opted to register and recycle.

The initial reaction to the scheme has been very positive and we look forward to seeing the results and effects that the scheme has had after it closes in July 2012.

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# Valpak in the Community

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Valpak are mindful of and committed to the local communities that surround our business operations and we have gained OHSAS 18001 and ISO 14001 certifications to demonstrate this commitment

## Corporate and Staff Charity Sponsorship

Valpak staff are encouraged to support local communities through fundraising activities and donations to local charities. Every year they are given the opportunity to vote on the charity that they would like to support. The charities that we have supported and funded so far have enabled us to not only help the community through participation in voluntary action, but have also helped to bring staff together from a social perspective. To date we have raised money for the following charities:

- Warwickshire Wildlife Trust – Sensory Garden
- The Elisabeth Svendsen Trust for Children and Donkeys
- Action 21's Sustainability Garden in Leamington Spa
- Kamla Foundation - sustainable water management solutions in Tamil Nadu, India
- Warwickshire Wildlife Trust – Romano British Campsite Project

During autumn 2011 our volunteering exercise involved spending a day at the Warwickshire Wildlife Trust helping them to clear the ground for a new Sensory Garden. The existing garden wasn't that easy to walk around which meant that they required a re-design to take into account

people with mobility difficulties and wheelchair users. Structures in the new garden (which opens this spring) will have tactile features, including a 'braille rail', which will explain what plants and animals can be found nearby. Bees will be able to fly around the garden from a hole in the wall, leading to a see-through beehive in the classroom next door.

Valpak donated a sum of £3,000 towards the Warwickshire Wildlife Trust's Sensory Garden and Valpak's Charity Committee raised £3,000 for The Elisabeth Svendsen Trust for Children and Donkeys, through fund-raising activities and staff participation.

## November

During November 2011, 21 staff members decided to grow moustaches in support of the international charity Movember, to raise funds for men's health, specifically prostate cancer and other cancers that affect men. In addition to encouraging donations via the website, the Valpak team, the Tachemania Devils, ran a competition whereby Valpak staff had to vote on the Best Mo, the Worst Mo and the Biggest Mo and pay for their votes. The Tachemania Devils managed to raise £2,575.

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# Valpak and the Environment

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Valpak continually seeks to gain accreditations and certifications from organisations that challenge our business to operate responsibly and ethically, while simultaneously having a minimal impact on the environment

Some of the accreditations and standards that we currently hold include

- ISO 14001 - an internationally accepted standard that sets out how companies can put in place effective environmental management systems
- PAS 2060 2010 - Specification of the Demonstration of Carbon Neutrality

## Focus on Carbon

Valpak's 2011 carbon reduction plan focussed on business activities which contributed the largest amount of emissions to our footprint

These were identified as being

- sub-contractor mileage (Valpak Recycling)
- electricity usage
- business miles by road (Valpak Recycling (North West))
- Preston site waste

2011 targets and reduction initiatives were set for each of these areas, and we looked to encourage and motivate our staff and suppliers to help us to meet these targets. After making some initial calculations we believe that we have met all of our 2011 objectives. New 2012 objectives will be set based on the recommendations of a Carbon Footprint Management Plan that will be compiled by our team of consultants

## Energy Reduction Savings of 7.85%

Our 2011 energy reduction target was set at 2%. This was exceeded, as we managed to make an 7.85% saving, when compared to 2010, throughout the year. Increasing our energy monitoring activities helped us to effectively measure, manage and control our energy consumption.

Key contributing factors included

- adjustment of heating timing controls which reduced daily hours of heating and air conditioning
- introduction of air conditioning 'OFF' days
- reduced temperature settings for the Stratford Office in the autumn and early winter
- increased awareness and commitment of staff at the Stratford Office regarding electricity saving and, each member of staff made a specific personal commitment in their Personal Development Plans to reduce energy use
- upgrading of our server hardware technology leading to reduced energy consumption
- commissioning of an external energy audit which confirmed the key areas we should focus on going forward

## Offsetting

We are currently going through the process of re-accreditation for PAS 2060. We offset our emissions in 2010 through the purchase of gold standard credits. These were invested in small, sustainable hydropower stations in China. For further information on how Valpak became Carbon Neutral visit [www.valpak.co.uk](http://www.valpak.co.uk)

# Directors' Report (continued)

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## • Financial Risks

The main financial risks of the group are the availability of funds to ensure sufficient working capital exists, exposure to counter party defaults and fluctuations in foreign exchange rates

To mitigate our exposure to these risks we have a conservative balance sheet structure, monitor and manage funding daily, and use forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates

## • IT systems and infrastructure

The business is dependent on highly efficient IT systems. Any significant failure therein would impact on our ability to function as a compliance business. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and continually invest in IT innovation to improve the service offering to our members and employees

## Employees

Key to our success is ensuring that we attract, retain and motivate the best people with the right skill sets throughout the organisation. We have developed a key account manager programme which is being extended to all customer facing employees and continue to offer a literacy improvement programme at our Preston facility which enables employees to gain NVQ qualifications

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 Valpak'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

**Key to our success is ensuring that we attract, retain and motivate the best people**

## Going Concern

After making appropriate enquiries, the directors consider that the group has adequate resources to continue in operation for the foreseeable future. In forming this view the directors have reviewed budgets and other financial information. For this reason, they continue to adopt the going concern basis in preparing the accounts

## Future Developments

The directors' aim is to maintain the management policies which have resulted in a highly cost effective compliance business allied with an increasingly important business diversification programme

## Political and Charitable Contributions

The group has not made any political contributions during the year

During 2011 Valpak worked with The Warwickshire Wildlife Trust, a local environmental charity on a project to revamp their Sensory Garden at Brandon Marsh Nature Reserve. In September and October 2011 over 100 Valpak employees gave a day's labour to clear trellis, fencing, raised beds, seating and plants from the old, overgrown garden in preparation for installation of the new garden this spring. In addition to the manual labour provided in 2011, three groups of Valpak employees are currently working hard to design, procure material for, build and install innovative recycling based seating for the garden's outside educational classroom. The garden is due to open in the spring 2012

Compliance Services turnover reduced by 34% to £29 million as the average cost of procuring PRN evidence for the packaging compliance scheme reduced by 55% during the year. In the last two years lower PRN prices have accounted for approximately £40 million reduction in total group turnover, a consequence of the packaging targets being largely flat in 2010 and 2011.

During 2011, following an impairment review, the company's freehold property in Stratford-upon-Avon was impaired by £240,000.

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### **Consulting Services increased turnover by 22% to £1.4 million**

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A deficit of £240,000 was recorded for the year (2010, £108,000 surplus) on a total turnover of £42.2 million (2010, £55.7 million).

#### **Post Balance Sheet Event**

On 1 August 2011 the company announced that it was proposing to sell the business to its Executive Directors and four members of the senior management team.

The transaction was to be implemented in two parts:

- a Scheme of Arrangement to implement a Reconstruction whereby the business of Valpak will be transferred to a newly formed company, Valpak 2011 Limited
- a Scheme of Arrangement to implement an Acquisition whereby Valpak 2011 Limited is acquired by Hamsard 3245 Limited

On 5 January 2012 an revised offer was tabled by the management team, supported by Green Point Holdings SCA. This offer was approved by members on 26 January 2012. The transaction is now required to be sanctioned by the Court. The Court Meetings are due to be heard in early March 2012.

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# Directors' Report (continued)

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Existing members will receive an initial consideration of £340 (£1.4 million in total) and a further £270 (£1.25 million in total) if the Packaging Waste Regulations continue in 2013.

Hamsard 3245 Limited will be 70% owned by the executive directors and four members of the senior management team and 30% owned by Green Point Holdings SCA.

If the transaction is approved, Valpak Limited will become a non-trading holding company with an investment in SMART (Sustainable Markets and Resources Trust).

## Principal Activities

The core business continues to deliver compliance services within the regulated arena of Producer Responsibility, in particular packaging waste, WEEE and waste batteries.

The expansion of Recycling Services and Consulting Services, which historically have mainly supported compliance services, remains pivotal to our diversification programme and to our reputation in the environmental consulting and recycling industry. Valpak continues to operate the UK's WEEE Distributor Take back Scheme (DTS) on behalf of the Department for Business, Innovation and Skills (BIS). We have successfully operated this scheme since its inception in 2007.

## Carbon Footprint

In 2011, Valpak has continued to measure and reduce the company's carbon footprint in accordance with PAS 2060:2010 (Specification for the Demonstration of Carbon Neutrality). During the year, we have worked hard at both the Stratford and Preston sites to reduce the company's carbon footprint, using initiatives such as increased monitoring and metering, staff training and rewards for those car sharing. This has helped reduce the company's carbon impact and as such our reliance on carbon offsets. We remain committed to carbon neutrality and as such will invest in carbon reducing projects to offset our residual carbon.

**In 2011 Valpak has continued to measure and reduce the company's carbon footprint in accordance with PAS 2060:2010**

## Strategy

Valpak's strategy remains unchanged:

- cost effective and assured legal compliance
- sustainable solutions in other areas of producer responsibility
- ancillary services for recycling and waste management
- expert advice to business, government and regulatory authorities
- reduce dependence on packaging waste compliance

The Board remains concerned over the Government's commitment to maintaining the PRN system and to the setting of gradually rising recycling targets for the next five years. The Board embarked upon a more progressive diversification programme but was conscious that such a programme should not be at additional cost or increased risk to members.

The Board discusses strategic issues at every Board meeting and dedicates an additional number of days a year to thorough reviews of the company's strategy and executive performance against plans.

## Risks and Uncertainties

In pursuing the achievement of its business plans and objectives, Valpak accepts that it is exposed to risks and potential opportunities. Valpak is committed to maintaining a rigorous and systematic approach to identifying, assessing and reporting on these risks. Through internal control and risk management systems, centred on the Risk Assurance

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## We engage with the reprocessing industry to ensure that secondary raw material is correctly treated and ethically exported.

Group (the executive management team), 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. In addition, through its Audit Committee, the Board monitors the effectiveness of all financial, operational, regulatory and compliance controls including risk management techniques

### • Strategic Risks

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

### • Reputational Risks

As the UK's largest producer responsibility compliance scheme, expectations of Valpak are high. We also give high priority to protecting our members' and customers' reputation. Failure to protect our reputation, or that of our 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 members and other stakeholders to ensure that our strategy reflects their views

### • Health & Safety Risks

We operate stringent health and safety processes in line with best practice at our MRF in Preston and in our offices which are monitored and audited regularly

We have OSHAS 18001 accreditation for both our Stratford based operations and our Preston MRF which continues to be held as an example for the waste management industry

### • Legislative Risks

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

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

### • Competitive Risks

We compete in both the relatively mature packaging compliance market and new WEEE and batteries compliance markets based upon price, quality, service, reputation and reliability. We regularly communicate with our members to ensure that we remain competitive and are meeting their expectations

The waste recycling industry is highly competitive with new players constantly entering the market. We aim to differentiate ourselves from the competition by providing a best in class, full audit trail of dry recyclate to the end markets in continental Europe and China, providing our customers with a level of assurance regarding the efficacy of end markets for materials. We have ISO 9001 and 14001 accreditation for both parts of our Recycling Services operation

# Directors' Report (continued)

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## • Financial Risks

The main financial risks of the group are the availability of funds to ensure sufficient working capital exists, exposure to counter party defaults and fluctuations in foreign exchange rates

To mitigate our exposure to these risks we have a conservative balance sheet structure, monitor and manage funding daily, and use forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates

## • IT systems and infrastructure

The business is dependent on highly efficient IT systems. Any significant failure therein would impact on our ability to function as a compliance business. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and continually invest in IT innovation to improve the service offering to our members and employees

## Employees

Key to our success is ensuring that we attract, retain and motivate the best people with the right skill sets throughout the organisation. We have developed a key account manager programme which is being extended to all customer facing employees and continue to offer a literacy improvement programme at our Preston facility which enables employees to gain NVQ qualifications

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 Valpak'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

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**Key to our success is ensuring  
that we attract, retain and  
motivate the best people**

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## Going Concern

After making appropriate enquiries, the directors consider that the group has adequate resources to continue in operation for the foreseeable future. In forming this view the directors have reviewed budgets and other financial information. For this reason, they continue to adopt the going concern basis in preparing the accounts

## Future Developments

The directors' aim is to maintain the management policies which have resulted in a highly cost effective compliance business allied with an increasingly important business diversification programme

## Political and Charitable Contributions

The group has not made any political contributions during the year

During 2011 Valpak worked with The Warwickshire Wildlife Trust, a local environmental charity on a project to revamp their Sensory Garden at Brandon Marsh Nature Reserve. In September and October 2011 over 100 Valpak employees gave a day's labour to clear trellis, fencing, raised beds, seating and plants from the old, overgrown garden in preparation for installation of the new garden this spring. In addition to the manual labour provided in 2011, three groups of Valpak employees are currently working hard to design, procure material for, build and install innovative recycling based seating for the garden's outside educational classroom. The garden is due to open in the spring 2012

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The employees of Valpak personally raised £3,000 in 2011 through various fund raising events. These funds have been donated to The Elisabeth Svendsen Trust for Children & Donkeys, a local UK based charity which provides therapy for children with special needs and disabilities through riding the donkeys.

#### Directors and their Interests

There are no directors' interests requiring disclosure. The directors who served during 2011 are shown on page two.

#### Corporate Governance

Valpak is committed to high standards of corporate governance. During 2011 the group's internal controls and risk management systems have been maintained and further developed to meet the demands of a growing and changing business. The risk register is reviewed by the Executive Management team monthly and by the Audit Committee quarterly. The internal risk assurance function monitors the effectiveness of these processes, advising on and facilitating improvements where necessary.

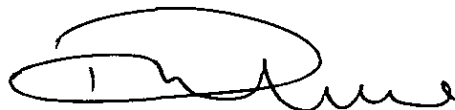
#### Disclosure of Information to the Auditors

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

#### Re-Appointment of Auditors

In accordance with s 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting.

By order of the Board



Philip Gale  
Company Secretary  
6 March 2012

# Statement of Directors' Responsibilities in Respect of the Financial Statements

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The directors are responsible for preparing the annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 transactions and disclose with reasonable accuracy at any time, the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the corporate and financial information on the company's website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Independent Auditors' Report to the Members of Valpak Limited

We have audited the financial statements of Valpak Limited for the year ended 31 December 2011 which comprise the group income and expenditure account, the group statement of total recognised gains and losses, the group and company balance sheets, the group statement of cash flows and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities (set out on page 23), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## scope of the audit of the financial statements

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

## opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's deficit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## opinion on other matter prescribed by the Companies Act 2006

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

## matters on which we are required to report by exception

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

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

*Ernst & Young LLP*

Nigel Meredith (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP  
Statutory Auditor, Birmingham  
7 March 2012

# Group Income and Expenditure Account

For the Year Ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	2	42,188	55,748
Direct costs		(27,801)	(40,363)
Gross surplus		14,387	15,385
Indirect costs		(13,654)	(14,250)
Operating surplus	3	733	1,135
Bank interest receivable		63	29
Interest payable and similar charges	6	(2)	(5)
Surplus on ordinary activities before taxation		794	1,159
Tax on surplus on ordinary activities	7	(1,034)	(1,051)
(Deficit) / surplus on ordinary activities after taxation	18	(240)	108

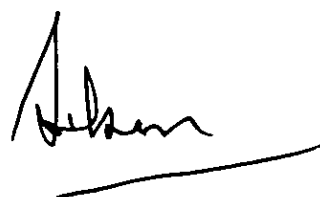
## Group Statement of Total Recognised Gains and Losses

The group has no recognised gains or losses other than the result shown in the income and expenditure account

# Group Balance Sheet

At 31 December 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Intangible fixed assets	8	-	-
Tangible fixed assets	9	2,292	3,816
		<b>2,292</b>	<b>3,816</b>
<b>Current assets</b>			
Stocks	11	922	759
Debtors amounts falling due within one year	12	5,957	9,845
Cash at bank and in hand and short term deposits	22	7,468	8,149
		<b>14,347</b>	<b>18,753</b>
<b>Creditors amounts falling due within one year</b>	14	<b>(14,803)</b>	<b>(20,441)</b>
<b>Net current liabilities</b>		<b>(456)</b>	<b>(1,688)</b>
<b>Total assets less current liabilities</b>		<b>1,836</b>	<b>2,128</b>
<b>Creditors amounts falling due after more than one year</b>	15	<b>(4)</b>	<b>(56)</b>
<b>Net assets</b>		<b>1,832</b>	<b>2,072</b>
<b>Members' funds</b>			
Capital	17	-	-
Income and expenditure account	18	1,832	2,072
<b>Total members' funds</b>		<b>1,832</b>	<b>2,072</b>



The Rt Hon John Gummer, Lord Deben  
Chairman  
6 March 2012



Steve Gough  
Director  
6 March 2012

# Company Balance Sheet

At 31 December 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Tangible fixed assets	9	1,912	2,458
Investments	10	170	1,254
		<b>2,082</b>	<b>3,712</b>
<b>Current assets</b>			
Stocks	11	739	263
Debtors amounts falling, due within one year	12	7,626	10,758
Cash at bank and in hand and short term deposits		6,131	4,752
		<b>14,496</b>	<b>15,773</b>
<b>Creditors amounts falling due within one year</b>	14	<b>(14,746)</b>	<b>(18,667)</b>
<b>Net current liabilities</b>		<b>(250)</b>	<b>(2,894)</b>
<b>Total assets less current liabilities</b>		<b>1,832</b>	<b>818</b>
<b>Net assets</b>		<b>1,832</b>	<b>818</b>
<b>Members' funds</b>			
Capital	17	-	-
Revaluation reserve	18	170	-
Income and expenditure account	18	1,662	818
<b>Total members' funds</b>		<b>1,832</b>	<b>818</b>



The Rt Hon John Gummer, Lord Deben  
Chairman  
6 March 2012



Steve Gough  
Director  
6 March 2012

# Group Statement of Cash Flows

For the Year Ended 31 December 2011

	Note	2011 £000	2010 £000
<b>Net cash inflow from operating activities</b>	22i	<b>1,298</b>	2,707
<b>Return on investments and servicing of finance</b>			
Interest received		63	29
Interest element of finance lease rental payments		(2)	(5)
<b>Taxation</b>			
Corporation tax paid		(1,342)	(687)
<b>Capital expenditure &amp; financial investment</b>			
Payments to acquire tangible fixed assets		(632)	(753)
Receipts from sales of tangible fixed assets		11	8
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		<b>(604)</b>	1,299
<b>Management of liquid resources</b>			
Decrease/(increase) in short term deposits		35	(2,000)
<b>Financing</b>			
Repayments of capital element of finance leases and hire purchase contracts		(77)	(151)
<b>Decrease in cash</b>		<b>(646)</b>	(852)

# Notes to the Accounts

at 31 December 2011

## 1 Accounting Policies

### Basis of Preparation

The financial statements of Valpak Limited were approved for issue by the Board on 6 March 2012

The group financial statements are prepared under the historical cost convention, except for investments as noted below, and in accordance with UK Generally Accepted Accounting Practice

The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable judgements and estimates

The group's business activities, together with the factors likely to affect its future development 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 despite the current uncertain economic outlook. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The group accounts consolidate the accounts of Valpak Limited and its subsidiary undertakings. No income and expenditure account is presented for Valpak Limited as permitted by Section 408 of the Companies Act 2006. The surplus for the period dealt within the accounts of the company was £844,000

### Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the income and expenditure account is taken into account in determining the profit or loss on sale or closure

### Turnover

Turnover, which is stated net of value added tax, represents the amounts invoiced to members for material levies, operating recovery and membership fees along with services provided to members and the sale of goods and provision of recycling services

### Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the 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 re translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

### Leasing and Hire Purchase Commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the assets' useful lives

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the income and expenditure account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the term of the lease

### Packaging Waste Recovery Notes (PRNs)

Prepaid PRNs are carried forward at the lower of cost and net realisable value

## Investments

The parent company's investments in subsidiary undertakings are accounted for on the equity basis, whereby such investments are stated at underlying net asset values. Any surplus or deficit is transferred to the revaluation reserve unless there is a deficit below the original cost, in which case it is recognised in the income and expenditure account for the year.

## Fixed Assets

All fixed assets are initially recorded at cost.

## Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	50 years
Leasehold land and buildings	10 years
Plant and machinery	5 to 7 years
Fixtures and fittings	5 years
Office equipment	4 years
Computer equipment	3 years

## 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 are carried at purchase cost on a first in first out basis, work in progress and finished goods are carried at cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

## Cash and Cash Equivalents

Cash in the balance sheet comprises cash in hand and current balances with banks and similar institutions. Short-term deposits have an original maturity of three months or less and are subject to insignificant risks of changes in value. For the purposes of the consolidated cash flow statement, cash is defined above and excludes short-term deposits.

## 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 and expenditure account as they become payable in accordance with the rules of the scheme.

## Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred, with the exception that deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# Notes to the Accounts

at 31 December 2011

## 2 Turnover

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities. These services include 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.

## 3 Operating Surplus

	2011 £000	2010 £000
Operating surplus is stated after charging		
Audit of the financial statements*	60	65
Other fees to auditors		
taxation services	25	25
other services	59	40
	144	130
Operating lease rentals		
land and buildings	222	211
plant and machinery	241	197
Impairment of goodwill	-	2,089
Depreciation of owned assets	767	1,072
Depreciation of assets held under finance lease and hire purchase contracts	238	73
Other amounts written off fixed assets	1,134	527
Loss on disposal of fixed assets	6	8
Fees to environment agencies	2,199	2,207

\*£35,000 of this relates to the company (2010: £33,000)

## 4 Staff Costs

	2011 £000	2010 £000
Wages and salaries	5,379	5,394
Social security costs	547	558
Pension and other costs	270	281
	6,196	6,233
	number	number
Monthly average number of employees during the period	154	141

## 5 Directors' Emoluments

	2011 £000	2010 £000
Remuneration including performance related bonuses	885	735
Highest paid Director	299	272

The emoluments above are after the salary sacrifice by three directors (2010 three) under Valpak's salary exchange scheme which resulted in pension contributions of £132,000 (2010: £109,000) during the year. This includes £55,000 (2010: £42,000) in respect of the highest paid director.

The increase in directors' emoluments is primarily due to the inclusion of the Policy Director for a full year (2010: three months).



## 6 Interest Payable and Similar Charges

	2011 £000	2010 £000
Finance charges payable under finance leases and hire purchase contracts	2	5

## 7 Tax on Surplus on Ordinary Activities

i) Tax charge for the year		2011 £000	2010 £000
UK corporation tax			
UK corporation tax on surplus for the year		1,144	1,355
Adjustments in respect of previous periods		3	(34)
Current tax charge for the year (note 7ii)		1,147	1,321
Deferred tax			
Origination and reversal of timing differences	13	(130)	(279)
Adjustment in respect of prior years	13	17	9
Tax on surplus on ordinary activities		1,034	1,051

### ii) Factors affecting the tax charge for the year

The tax assessed on the surplus on ordinary activities for the year is different from the standard rate of corporation tax in the UK. The differences are explained below.

	2011 £000	2010 £000
Surplus on ordinary activities before tax	794	1,159
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	210	325
Effect of		
Expenses not deductible for tax purposes	751	743
Depreciation in excess of capital allowances	168	129
Other timing differences	15	160
Adjustments in respect of previous years	3	(34)
Difference in consolidated tax rate	-	(2)
Current tax charge for the year (note 7i)	1,147	1,321

### Factors that may affect future tax charges

On 23 March 2011 the UK Chancellor of the Exchequer announced a number of corporate tax reforms that are effective from 1 April 2011.

The following changes to corporation tax will have an impact on the company:

- Mainstream rate of UK corporation tax reduction from 28% to 23% over a period of 4 years, beginning 1 April 2011, and
- A proposed reduction in the main and special rate of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012.

On 19 July 2011, the rate of 25% was enacted within F(No 3)A 2011. This reduction is reflected in the calculation of the deferred tax balances.

The calculation of deferred tax balances does not therefore reflect the potential impact of the proposed rate reduction from 25% - 23% as they were not substantively enacted at the balance sheet date. The full impact of the rate change from 25% - 23% has yet to be ascertained but it is likely that the company will have a lower UK effective tax rate on future taxable profits, subject to the receipt of group relief.

# Notes to the Accounts

at 31 December 2011

## 8 Intangible Fixed Assets

	Goodwill £000
<b>Group</b>	
Cost	
At 1 January 2011 and 31 December 2011	2,831
Amortisation	
At 1 January 2011	2,831
Provided during the year	-
At 31 December 2011	2,831
<b>Net book value at 31 December 2011</b>	-
Net book value at 1 January 2011	-

The goodwill related to the acquisition of Valpak Recycling (North West) Limited on 30 June 2006 and was amortised in full by 31 December 2010

## 9 Tangible Fixed Assets

	Freehold land & buildings £000	Leasehold land & buildings £000	Plant & machinery £000	Furniture & fittings £000	Computer & office equipment £000	Total £000
<b>Group</b>						
Cost						
At 1 January 2011	2,000	1,373	2,874	588	2,814	9,649
Additions	-	-	432	-	200	632
Disposals	-	-	(106)	-	(458)	(564)
At 31 December 2011	2,000	1,373	3,200	588	2,556	9,717
Depreciation						
At 1 January 2011	350	798	2,031	539	2,115	5,833
Charge for the year	40	93	424	28	420	1,005
Disposals	-	-	(89)	-	(458)	(547)
Impairment of fixed assets	230	416	486	-	2	1,134
At 31 December 2011	620	1,307	2,852	567	2,079	7,425
<b>At 31 December 2011</b>	<b>1,380</b>	<b>66</b>	<b>348</b>	<b>21</b>	<b>477</b>	<b>2,292</b>
Net book value at 1 January 2011	1,650	575	843	49	699	3,816

## 9 Tangible Fixed Assets (continued)

Company	Freehold land & buildings £000	Plant & machinery £000	Furniture & fittings £000	Computer & office equipment £000	Total £000
<b>Cost</b>					
At 1 January 2011	2,000	141	571	2,615	5,327
Additions	-	31	-	200	231
Disposals	-	-	-	(458)	(458)
At 31 December 2011	2,000	172	571	2,357	5,100
<b>Depreciation</b>					
At 1 January 2011	350	76	522	1,921	2,869
Charge for the year	40	61	29	417	547
Disposals	-	-	-	(458)	(458)
Impairment of fixed assets	230	-	-	-	230
At 31 December 2011	620	137	551	1,880	3,188
<b>Net book value at 31 December 2011</b>	<b>1,380</b>	<b>35</b>	<b>20</b>	<b>477</b>	<b>1,912</b>
Net book value at 1 January 2011	1,650	65	49	694	2,458

Included in the amounts for plant and machinery above are the following amounts related to leased assets and assets acquired under hire purchase contracts

<b>Group</b>	<b>£000</b>
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	1,215
<b>Depreciation</b>	
At 1 January 2011	977
Charge for the year	238
At 31 December 2011	1,215
<b>Net book value at 31 December 2011</b>	<b>-</b>
Net book value at 1 January 2011	238

There are no leased assets or assets acquired under hire purchase contracts within the company

# Notes to the Accounts

at 31 December 2011

## 10 Investments

Company	2011 £000	2010 £000
At 1 January	1,254	1,056
Dividends Received	(1,254)	-
Revaluation	170	(1,056)
Acquisitions from intermediate parent company	-	1,254
At 31 December	170	1,254

The payment of dividends by Valpak Recycling Limited, Valpak Consulting Limited and Valpak Retail WEEE Services Limited has been reflected as a reduction in their investment values

The company's investments in subsidiary companies have been revalued to underlying net assets value resulting in a net increase in the carrying value of investments of £170,000

Except as indicated below, the company owns the whole issued share capital of all subsidiary undertakings  
The principal subsidiary undertakings are as follows

Name of Company	Principal Activity
Valpak Holdings Limited	Holding company
Valpak Recycling Limited	Waste recovery services
Valpak Recycling (North West) Limited*	Waste recovery services
Valpak Consulting Limited	Environmental consultancy and data management
Valpak Retail WEEE Services Limited	Operator of Distributor Take back Scheme

\*Held indirectly by a wholly owned subsidiary

## 11 Stocks

Group	2011 £000	2010 £000
Raw materials and consumables	862	516
Finished goods	60	243
	922	759

Company	2011 £000	2010 £000
Raw materials and consumables	739	263
	739	263

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

## 12 Debtors Amounts Falling Due Within One Year

	2011	2010
	£000	£000
<b>Group</b>		
Trade debtors	4,314	8,135
Other debtors	2	2
Prepayments and accrued income	958	1,138
Deferred tax (see note 13)	683	570
	<b>5,957</b>	<b>9,845</b>

	2011	2010
	£000	£000
<b>Company</b>		
Trade debtors	3,157	6,810
Amounts owed by group undertakings	3,438	3,120
Other debtors	2	2
Prepayments and accrued income	556	358
Deferred tax (see note 13)	473	468
	<b>7,626</b>	<b>10,758</b>

# Notes to the Accounts

at 31 December 2011

## 13 Deferred Tax

	2011 £000	2010 £000
<b>Group</b>		
At 1 January 2011	570	300
Origination and reversal of timing differences (note 7i)	130	279
Adjustment in respect of prior years (note 7i)	(17)	(9)
At 31 December 2011	683	570
The deferred tax consists of		
Decelerated capital allowances	389	268
Other timing differences	294	302
Total deferred tax	683	570
	2011 £000	2010 £000
<b>Company</b>		
At 1 January 2011	468	309
Origination and reversal of timing differences	20	167
Adjustment in respect of prior years	(15)	(8)
At 31 December 2011	473	468
The deferred tax consists of		
Decelerated capital allowances	179	167
Other timing differences	294	301
Total deferred tax	473	468

For the group and the company, there was no unprovided deferred tax at 31 December 2011 (2010: nil)

#### 14 Creditors Amounts Falling Due Within One Year

	2011 £000	2010 £000
<b>Group</b>		
Obligations under finance lease and hire purchase contracts (note 16)	52	77
Trade creditors	8,263	13,590
Corporation tax	700	895
Other taxes and social security	206	173
Other creditors and accruals	5,582	5,706
	<b>14,803</b>	<b>20,441</b>

	2011 £000	2010 £000
<b>Company</b>		
Trade creditors	6,787	11,694
Amounts owed to group undertakings	171	237
Corporation tax	782	563
Other taxes and social security	187	153
Other creditors and accruals	6,819	6,020
	<b>14,746</b>	<b>18,667</b>

#### 15 Creditors. Amounts Falling Due After More Than One Year

	2011 £000	2010 £000
<b>Group</b>		
Obligations under finance leases and hire purchase contracts (note 16)	4	56

The company had no creditors falling due after more than one year

# Notes to the Accounts

at 31 December 2011

## 16 Obligations Under Leases and Hire Purchase Contracts

Amounts due under finance leases and hire purchase contracts

	2011 £000	2010 £000
<b>Group</b>		
Amounts payable		
Within one year	53	79
In two to five years	4	57
	57	136
Less: finance charges allocated to future periods	1	3
	56	133

Annual commitments under non-cancellable operating leases are as follows

	Land & buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Group</b>				
Operating leases which expire				
Within one year	32	41	16	98
In two to five years	190	-	239	117
Over five years	-	160	-	-
	222	201	255	215
<b>Company</b>				
Operating leases which expire				
Within one year	32	21	7	98
In two to five years	-	-	158	73
	32	21	165	171

## 17 Capital

The company is limited by guarantee. The obligation on a member to contribute to the assets of the company in the event that the company is wound up is limited to £1.



## 18 Reserves

Group	Income & expenditure account £000	Revaluation reserve £000	Total members' funds £000
At 1 January 2010	1,964	-	1,964
Retained surplus	108	-	108
At 31 December 2010	2,072	-	2,072
Retained deficit	(240)	-	(240)
<b>At 31 December 2011</b>	<b>1,832</b>		<b>1,832</b>

Company	Income & expenditure account £000	Revaluation reserve £000	Total members' funds £000
At 1 January 2010	908	1,056	1,964
Retained deficit	(90)	-	(90)
Revaluation of investment in subsidiary undertakings	-	(1,056)	(1,056)
At 31 December 2010	818	-	818
Retained surplus	844	-	844
Revaluation of investment in subsidiary undertakings	-	170	170
<b>At 31 December 2011</b>	<b>1,662</b>	<b>170</b>	<b>1,832</b>

## 19 Commitments

In order to meet its 2012 members recovery obligations, the company has at 31 December 2011 entered into various contracts for the purchase of Packaging Waste Recovery Notes (PRNs) in 2012

## 20 Capital Commitments

There were no amounts contracted for, but not provided, in the financial statements for the group or for the company (2010 nil)

## 21 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

With the exception of personnel compensation of directors, which disclosure can be found within note 5 to the accounts, there were no other material transactions between the company and its key management personnel during the year

**Post Balance Sheet Event** On 26 January 2012 the members of Valpak Limited agreed to sell the business to its executive directors and four members of the senior management team. The transaction is due to complete in early March with an initial cash consideration of £1.4 million being paid to members. A further consideration of £1.125 million payable if the Packaging Waste Regulations continue in 2013.

# Notes to the Accounts

at 31 December 2011

## 22 Group Notes to the Statement of Cash Flows

### Group

#### (i) Reconciliation of operating surplus to net cash inflow from operating activities

	2011 £000	2010 £000
Operating surplus	733	1,135
Depreciation and impairment of fixed assets	2,139	1,672
Impairment of goodwill	-	2,089
Profit on disposal of fixed assets	6	(8)
(Increase)/decrease in stocks	(163)	6
Decrease in debtors	4,001	1,225
Decrease in creditors	(5,418)	(3,412)
<b>Net cash inflow from operating activities</b>	<b>1,298</b>	<b>2,707</b>

#### (ii) Reconciliation of net cash flow to movement in net funds

	2011 £000	2010 £000
Decrease in cash for the period	(646)	(852)
(Decrease)/increase in short term deposits	(35)	2,000
<b>Net movement in cash funds at 31 December</b>	<b>(681)</b>	<b>1,148</b>
Cash used to repay capital element of finance leases	77	151
<b>Movement in net funds</b>	<b>(604)</b>	<b>1,299</b>
Net funds at 1 January	8,016	6,717
<b>Net funds at 31 December</b>	<b>7,412</b>	<b>8,016</b>

#### (iii) Analysis of net funds

	At 01/01/11 £000	Cash Flow £000	At 31/12/11 £000
Cash at bank and in hand	1,149	(646)	503
Short-term deposits	7,000	(35)	6,965
<b>Cash</b>	<b>8,149</b>	<b>(681)</b>	<b>7,468</b>
Finance leases	(133)	77	(56)
<b>Net funds</b>	<b>8,016</b>	<b>(604)</b>	<b>7,412</b>

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BIS	Department for Business Innovation and Skills
CRC	Carbon Reduction Commitment
CSR	Corporate Social Responsibility
Courtauld Commitment	A voluntary agreement between WRAP and major UK grocery organisations that supports less packaging and food waste ending up as household waste
DTS	Distributor Take back Scheme
FY	Financial Year
ISO 14001	An internationally recognised standard for Environmental Management Systems
ISO 9001	An internationally recognised standard for Quality Management Systems
MRF	Material Recovery Facility
NVQ	National Vocational Qualification
OSHAS 18001	An internationally recognised standard for Health & Safety Systems
PAS 2060 2010	Specification detailing how to demonstrate Carbon Neutrality
PRNs	Packaging Waste Recovery Notes
Producer responsibility (PR)	Laws which require businesses to reuse, recover and recycle waste which comes from the products that they produce
WEEE	Waste Electrical and Electronic Equipment
WRAP	Waste Resources Action Programme
Zero Waste Strategies	Strategy Considering the entire life cycle of products, processes and systems



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