ECO Plastics Limited

Directors' report and financial statements

Registered number 03948149

29 December 2013

Contents

Chairman's statement

2013 was a further period of rapid development for the Company as it continued its drive to establish Europe's largest plastic bottle reprocessing facility.

The key events during the period were:

- The supply base was strengthened with a move to more long-term contracts.
- Plant operational performance improved, with a significant reduction in unplanned downtime, moving volumes from 10,000 tonnes per month to 12,000 tonnes per month.
- The customer base was broadened and the product range strengthened with the introduction of coloured recycled PET ('rPET).
- Average sales price and margins were increased with a shift to higher margin customers.
- A £4m funding package from existing shareholders.
- A new CFO and CEO were appointed.

The period's financial performance was marked by a 23% rise in turnover to £47m, an increase in gross profits to £13.0m from £7.9m and a £2.8m EBITDA improvement to £2.1m. Underlying EBITDA, excluding a number of exceptional costs, was £3.1m.

The fundraising provided a stronger platform for the Company and financial performance improved. By Q3 2013 the business had become cash generative with monthly turnover rising to over £4m per month and an EBITDA average run rate of more than £500k (six months May to October).

Key developments

Funding

Operational issues through 2012 and the early part of 2013 saw a further £4m investment from our shareholders.

£3m of this investment was made in the first quarter of 2013, with the remaining £1m received in November.

A further £2m investment from shareholders was received in the third quarter of 2014 to fund further capital improvements.

The future

The board believes that the Company is now established as the market leader in the reprocessing of post-consumer plastic waste for food grade applications. The plan over the next year is to continue to develop the business and deliver substantial improvements in financial performance.

William Reeves
Chairman

29 September 2014

Strategic report

The directors present their strategic report for the year ended 29 December 2013.

Principal activities

The company's principal activity is the recycling of plastic waste. ECO Plastics is the UK's leading and highest quality reprocessor of recyclable, post-consumer plastic waste and the largest buyer of baled recyclable plastic bottles in the UK. The business operates Europe's largest and most technically advanced Mixed Plastic Bottle sorting facility. The plant is capable of sorting 150,000 tonnes of plastics each year, sourced primarily from waste contractors and local authorities throughout the UK and Ireland, with increasing volumes sourced from Western Europe. The business also operates 72,000 tonnes of wash capacity and 40,000 tonnes of extrusion capacity adding significant value to the PET output. The plant has several output streams, including 'food grade' rPET pellets which are sold into the carbonated soft drinks industry as a direct replacement for virgin polymer - its largest customer being Coca Cola Enterprises Limited ('CCE'), with whom the company has a joint venture (Continuum Recycling Limited). The Company is the only UK manufacturer of rPET suitable for direct food contact and during 2013 helped CCE achieve its target of including 25% rPET in all it carbonated soft drinks products. The Company also supplies hot-washed PET flake direct to the food packaging industry and various different grades of baled polymer for industrial production.

Business review

Overview

As described in the Chairman's statement on page 1, the period ended 31 December 2013 saw a further period of growth and improvement in financial performance.

2013's key developments were:

- The broadening of our product range to include coloured rPET.
- The increase in sort volumes to 12,000 tonnes per month.
- A further £4m funding income from existing shareholders. £3m of this was received in the first quarter of 2013, with the remaining £1m invested in November.

The directors now plan to stabilise operations throughout 2014 and grow the business thereafter.

Current markets

The Company continued to focus on increasing high value sales within the UK and Europe; improved operational performance ensured availability of material to fully supply our Joint Venture partner CCE and to expand other added value opportunities. There is a clear desire from brand-owners to increase the use of rPET in their packaging products, not only in the UK but globally, and as the only UK supplier of this material the Company expects to capitalise on this opportunity.

During 2013, the Company benefitted from a clampdown on the importation of poor quality feedstock by China coupled with slower growth throughout the Asia Pacific region, which resulted in more feedstock availability and lower buy prices. The Company continues to reduce its exposure to the Far East and the volatile nature of those markets.

The poor quality of feedstock available within the UK continues to present challenges but, having lobbied with industry colleagues for two years now, the Company welcomes the introduction of the MRF Code of Practice on 1 October 2014. The Supplier Quality Audit programme, instigated during mid-2013 to help our supply chain partners improve the quality and therefore value of their plastic output, continues to gather momentum and we look forward to cementing those relationships through long-term partnership contracts.

Strategic report *(continued)*

Business review *(continued)*

Operational Performance

The Board of Directors feel that the business has made good progress in its development as a value added recycler of plastic waste.

By August 2013 the business had become cash generative with monthly turnover rising to £4m per month and an EBITDA average run rate of £500k per month (six months May to October).

Trading from November 2013 onwards has been more challenging, primarily as a consequence of adverse conditions in the UK market for baled plastic waste in terms of volume availability and price. This has recovered in recent months and the company continues to innovate and enhance operational capability to help respond to these market fluctuations.

Key Performance Indicators

The directors have considered those key performance indicators ('KPIs') which they consider to be appropriate for assessing the financial performance of the business going forward. The key KPI's are:

- Volume, quality and pricing of purchased feedstock;
- Volume processed through each part of the plant;
- Sales volumes and pricing;
- Margin per tonne generated from feedstock; and
- Costs per tonne.

Turnover for the period was £47m against £38m in the preceding period. Loss after taxation was reduced to £4.9m with EBITDA improving by £2.8m, compensated for by depreciation rising by £1.1m and interest increasing by £0.9m. Underlying EBITDA was over £3m.

	2013	2012
	£m	£m
Operating loss	**(2.0)**	(3.7)
Depreciation	**4.1**	3.0
EBITDA	**2.1**	(0.7)
Non-recurring costs	**1.0**	-
Underlying EBITDA	**3.1**	(0.7)

Non-recurring costs include certain one-off non-trading items primarily associated with foreign exchange gains and losses and restructuring of the business.

An integrated business plan and forecasting model is in place to set appropriate business targets and is a strong part of our management system.

Strategic report *(continued)*

Expansion and future prospects

The Company is now in the process of stabilising its operating model and delivering increased throughput through its existing facilities whilst looking to improve operational efficiencies. The Company has received further funding of £2m from its shareholders and has also negotiated more favourable terms with its lenders, in order to undertake this process. As part of the transaction with its shareholders, the Company simplified its share structure, further details of which are given in note 22.

Hemswell Business Park
Hemswell
Lincolnshire
DN21 5TU

C Brown
Director

29 September 2014

Directors' report

The directors present their directors' report and financial statements for the year ended 29 December 2013.

Proposed dividend and transfer to reserves

The directors cannot recommend the payment of a dividend.

The loss for the period transferred to reserves is £4,931,000 *(2012: loss of £5,790,000).*

Directors

The directors who held office during the period and up to the date of signing this report are as follows:

Jonathan Short	
Keimpe Keuning	
Samuel JI Richardson	
Chris Brown	(appointed 16 October 2013)
Jeff Holder	(resigned 30 June 2013)
William Weil	
William T Reeves	Chairman
STV Nominee Limited	(appointed 5 February 2013, resigned 5 June 2014)
Darren Marr	(appointed 23 September 2013)

Political and charitable contributions

Neither the company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the period.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

C Brown
Director

Hemswell Business Park
Hemswell
Lincolnshire
DN21 5TU

29 September 2014

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 period. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Parent company and of the profit or loss of the Group for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent company will continue in business.

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 Parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Independent auditor's report to the members of ECO Plastics Limited

We have audited the financial statements of ECO Plastics Limited for the year ended 29 December 2013 set out on pages 9 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 to express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and of the Parent Company's affairs as at 29 December 2013 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly 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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of ECO Plastics Limited *(continued)*

Matters on which we are required to report by exception

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

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

Nick Plumb

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

29 September 2014

Consolidated Profit and Loss Account

for the period ended 29 December 2013

	Note	2013 £000	2012 £000
Turnover	2	**47,301**	38,459
Cost of sales		**(34,314)**	(30,520)
Gross profit		**12,987**	7,939
Administrative expenses		**(14,993)**	(11,678)
Operating loss		**(2,006)**	(3,739)
Interest payable and similar charges	6	**(2,925)**	(2,051)
Loss on ordinary activities before taxation	2-6	**(4,931)**	(5,790)
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial period	16	**(4,931)**	(5,790)

All activities derive from continuing operations.

There were no recognised gains or losses during the current and previous periods other than those shown above.

Consolidated Balance Sheet
at 29 December 2013

	Note	2013 £000	£000	2012 £000	£000
Fixed assets					
Tangible assets	*8*		**28,953**		31,284
Current assets					
Stocks	*10*	**2,700**		2,770	
Debtors	*11*	**7,495**		6,702	
Cash at bank and in hand		**859**		481	
		11,054		9,953	
Creditors: amounts falling due within one period	*12*	**(19,011)**		(17,775)	
Net current liabilities			**(7,957)**		(7,822)
Total assets less current liabilities			**20,996**		23,462
Creditors: amounts falling due after more than one period	*13*		**(13,385)**		(11,701)
Net assets before amount due to Joint Venture Partner			**7,611**		11,761
Amounts due to Joint Venture Partner	*13*		**(6,088)**		(5,453)
Net assets			**1,523**		6,308
Capital and reserves					
Called up share capital	*14*		**37**		37
Share premium account	*15*		**18,031**		18,031
Profit and loss account	*16*		**(17.079)**		(12,017)
Own share reserve	*16*		**(69)**		(200)
Other reserve	*16*		**603**		457
Shareholders' funds			**1,523**		6,308

These financial statements were approved by the board of directors on 29 September 2014 and were signed on its behalf by:

C Brown
Director

Registered number: 03948149

Company Balance Sheet
at 29 December 2013

	Note	2013 £000	£000	2012 £000	£000
Fixed assets					
Tangible assets	8		**25,667**		27,601
Investments	9		**5,001**		5,001
			30,668		32,602
Current assets					
Stocks	10	**2,700**		2,770	
Debtors	11	**6,876**		6,310	
Cash at bank and in hand		**859**		123	
		10,435		9,203	
Creditors: amounts falling due within one period	12	**(19,410)**		(18,014)	
Net current liabilities			**(8,975)**		(8,811)
Total assets less current liabilities			**21,693**		23,791
Creditors: amounts falling due after more than one period	13		**(13,385)**		(11,701)
Net assets before amount due to Joint Venture Partner			**8,308**		12,090
Amounts due to Joint Venture Partner	13		**(6,088)**		(5,453)
Net assets			**2,220**		6,637
Capital and reserves					
Called up share capital	14		**37**		37
Share premium account	15		**18,031**		18,031
Profit and loss account	16		**(16,382)**		(11,688)
Own share reserve	16		**(69)**		(200)
Other reserves	16		**603**		457
Shareholders' funds			**2,220**		6,637

These financial statements were approved by the board of directors on 29 September 2014 and were signed on its behalf by:

C Brown
Director

Registered number: 03948149

Consolidated Cash Flow Statement
for the period ended 29 December 2013

	Note	2013 £000	2012 £000
Reconciliation of operating loss to net cash flow from operating activities			
Operating loss		**(2,006)**	(3,739)
Depreciation charges		**4,141**	3,073
Decrease/(increase) in stocks		**70**	(151)
Increase in debtors		**(793)**	(317)
(Decrease)/increase in creditors		**(1,978)**	3,006
Net cash (outflow)/inflow from operating activities		**(566)**	1,872
Cash flow statement			
Cash flow from operating activities		**(566)**	1,872
Returns on investment and servicing of finance	*18*	**(1,183)**	(1,376)
Taxation		**-**	-
Capital expenditure	*18*	**(1,810)**	(9,039)
Cash outflow before financing		**(3,559)**	(8,543)
Financing	*18*	**3,937**	6,288
Increase/(decrease) in cash in the period		**378**	(2,255)
Reconciliation of net cash flow to movement in net debt	*19*		
Increase/(decrease) in cash in the period		**378**	(2,255)
Net cash inflow from movement in debt		**(3,937)**	(4,143)
Change in net debt resulting from cash flows		**(3,559)**	(6,398)
Non cash changes		**(959)**	(220)
Movement in finance leases		**-**	(1,688)
Movement in net debt in the period		**(4,518)**	(8,306)
Net debt at the start of the period		**(15,752)**	(7,446)
Net debt at the end of the period		**(20,270)**	(15,752)

Reconciliation of Movements in Shareholders' Funds
for the period ended 29 December 2013

	2013 £000	2012 £000
Loss for the financial period	**(4,931)**	(5,790)
Equity component of convertible loan notes	**146**	457
Net reduction in shareholders' funds	**(4,785)**	(5,333)
Opening shareholders' funds	**6,308**	11,641
Closing shareholders' funds	**1,523**	6,308

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern

The Group's business objectives together with the factors likely to affect its future development, performance and position, are set out on pages 1 to 5. The financial position and borrowing facilities are also described there with further details of the facilities in place at the balance sheet date provided in notes 12 and 13 of the financial statements and details of facilities agreed and investment received after the balance sheet date are described in note 22. During 2013 the Group extended its working capital facilities and has raised £3m of new finance through convertible loan notes with the additional facilities being used to fund capital expenditure and working capital to support the company's expansion. Since the year end, and as described in note 22, the Company has received additional equity investment of c£2m, agreed the removal of all loanholder debt, including accrued interest, and agreed more favourable repayment terms on its finance lease and invoice discounting facility. After the challenging conditions in 2013 the group continues to target improvements in the volume and quality of feedstocks and in operational performance.

The Group's base case financial forecasts assume that an improving trend in volumes and margins will continue. The directors recognise that the Group does not yet have a consistent track record in delivering against its forecasts as the business model is still being refined. The Group's base case forecasts and sensitivity analysis indicate that the Group will not require further financing beyond its existing facilities for at least 12 months from the date of approval of these financial statements. The directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 29 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The Company has one subsidiary; whilst it is termed a Joint Venture Partner in these accounts, in line with the Joint Venture Agreement, it is accounted for as a subsidiary on the basis that the Group owns 67% of the equity.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Land and buildings	-	4% per annum
Plant and machinery	-	10% per annum
Fixtures, fittings & equipment	-	20%-33% per annum
Motor vehicles	-	20% per annum

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases, including similar hire purchase contracts, are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

Financial instruments issued by the group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company (or group as the case may be) 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 (or group); and

b) 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, for example on convertible loan notes, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Turnover is recognised on dispatch of goods or when the services have been provided.

Share based payments

The share option programme allows certain employees to acquire shares of the company. The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Own shares held by ESOP trust

Transactions of the company-sponsored ESOP trust are treated as being those of the company and are therefore reflected in the parent company and group's financial statements. In particular, the trust's purchases and sales of shares in the company are debited and credited directly to equity.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability to the extent that they are declared prior to the period end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes *(continued)*

2 Analysis of turnover

All turnover is derived from the group's principal activity.

	2013 £000	2012 £000
By geographical market:		
UK	**33,478**	26,206
Europe	**8,622**	5,750
Other	**5,201**	6,503
	47,301	38,459

3 Notes to the profit and loss account

	2013 £000	2012 £000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
Owned	**1,420**	232
Leased	**2,721**	2,841
Amounts payable under operating leases:		
Land and buildings	**1,107**	1,173
Other operating leases	**224**	213
Net foreign exchange losses/(gains)	**191**	(444)

	2013 £000	2012 £000
Auditor's remuneration		
Audit of these financial statements	**37**	35
Other services relating to taxation	**4**	5
Services relating to corporate finance transactions entered into by the company and its associates	**-**	89

Notes *(continued)*

4 Remuneration of directors

	2013 £000	2012 £000
Directors' emoluments	**248**	464
Compensation for loss of office	**46**	-
Amounts paid to third parties in respect of directors' services	**284**	91

The emoluments of the highest paid director, including amounts paid to third parties in respect of directors' services, were £238,000 *(2012: £129,000).*

Directors' rights to subscribe for shares in the company are indicated below:

	Number of options			
	At start of period	Exercised in period	At end of period	Exercise price p
J Short	**1,134**	**-**	**1,134**	**11**
J Holder	**2,620**	**2,620**	**-**	**11**

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2013	2012
Production	**182**	154
Sales	**5**	9
Administration	**15**	16
	202	179

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	**5,437**	4,599
Social security costs	**548**	453
	5,985	5,052

Notes *(continued)*

6 Interest payable and similar charges

	2013	2012
	£000	£000
On invoice discounting facility	**280**	223
On all other loans	**99**	242
Amortisation of issue costs	**144**	126
On amounts owed to JV partner	**610**	550
Finance charges payable in respect of finance leases	**804**	910
On amounts relating to convertible loan notes	**988**	-
	2,925	2,051

7 Taxation

Analysis of charge in period

	2013	2012
	£000	£000
UK corporation tax		
Current tax on income for the period	**-**	-
Total current tax	**-**	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2012: lower)* than the standard rate of corporation tax in the UK of 23.25% *(2012: 24.5%)*. The differences are explained below.

	2013	2012
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(4,931)**	(5,790)
Current tax at 23.25% *(2012: 24.5%)*	**(1,146)**	(1,419)
Effects of:		
Expenses not deductible for tax purposes	**542**	82
Difference between depreciation and capital allowances	**19**	(300)
Other short term timing differences	**(8)**	-
Unrelieved tax losses arising in the period	**593**	1,637
Total current tax charge (see above)	**-**	-

Factors that may affect future current and total tax charges

The deferred tax asset has been calculated based on the rate of 20% *(2012: 23%)* substantively enacted at the balance sheet date.

Notes *(continued)*

7 Taxation *(continued)*

The 2013 Budget announced that the rate will reduce to 20% by March 2015 in addition to the planned reduction to 21% by March 2014 previously announced in the December 2012 Autumn Statement.

The elements of deferred taxation are as follows:

	2013	2012
	£000	£000
Difference between accumulated depreciation and capital allowances	**1,663**	1,717
Tax losses	**(2,072)**	(2,188)
Capital gains	**409**	471
	-	-

The company has unrecognised deferred tax assets of £1,883,000 *(2012: £1,743,000)* in respect of further tax losses and short term timing differences. The directors have not recognised these assets as they consider it would be imprudent to do so.

8 Tangible fixed assets

Group	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of period	113	38,026	208	38,347
Additions	-	1,803	7	1,810
Disposals	-	(230)	-	(230)
At end of period	113	39,599	215	39,927
Depreciation				
At beginning of period	9	6,899	155	7,063
Charge for period	5	4,099	37	4,141
Disposals	-	(230)	-	(230)
At end of period	14	10,768	192	10,974
Net book value				
At 29 December 2013	**99**	**28,831**	**23**	**28,953**
At 1 January 2013	104	31,127	53	31,284

Notes *(continued)*

8 Tangible fixed assets *(continued)*

Included in the above are assets held under finance leases as follows:

	Plant and machinery	
	2013	2012
	£000	£000
Net book value at 29 December	**165**	268
Depreciation charged in period	**104**	115

During 2011, a further single finance lease was entered into as part of a refinancing exercise. This finance lease was extended during 2012 such that all plant and equipment owned at the time, not otherwise subject to other financing arrangements, was included on this lease schedule. The lease is secured against plant and machinery with a net book value of £23,719,000 on which depreciation of £2,617,000 has been charged in the period. This is not included in the lease analysis detailed above.

Company	**Freehold land and buildings**	**Plant and machinery**	**Fixtures, fittings and equipment**	**Total**
	£000	£000	£000	£000
Cost				
At beginning of period	113	34,051	208	34,372
Additions	-	1,803	7	1,810
Disposals	-	(230)	-	(230)
At end of period	113	35,624	215	35,952
Depreciation				
At beginning of period	9	6,607	155	6,771
Charge for period	5	3,702	37	3,744
Disposals	-	(230)	-	(230)
At end of period	14	10,079	192	10,285
Net book value				
At 29 December 2013	**99**	**25,545**	**23**	**25,667**
At 1 January 2013	104	27,444	53	27,601

Notes *(continued)*

8 Tangible fixed assets *(continued)*

Included in the above are assets held under finance leases as follows:

	Plant and machinery	
	2013	2012
	£000	£000
Net book value at 29 December	**165**	268
Depreciation charged in period	104	115

During 2011, a further single finance lease was entered into as part of a refinancing exercise. This finance lease was extended during 2012 such that all plant and equipment owned at the time, not otherwise subject to other financing arrangements, was included on this lease schedule. The lease is secured against plant and machinery with a net book value of £23,719,000 on which depreciation of £2,617,000 has been charged in the period. This is not included in the lease analysis detailed above.

9 Fixed asset investments

	Shares in group undertakings
	£
Company	
Cost and net book value	
At 1 January and 29 December 2013	**5,000,670**

The only undertaking in which the company's interest at the period end is more than 20% is as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held	
Subsidiary undertaking			**Group**	**Company**
Continuum Recycling Limited	United Kingdom	The extrusion of recycled polyethylene terephthalate for sale to customers	67%	67%

Continuum Recycling Limited is a joint venture with Coca Cola Enterprises Limited. It is accounted for as a subsidiary on the basis that the company owns 67% of the equity.

£5m of this investment is payable at a future date/dates in accordance with the terms of the Joint Venture agreement (see note 13).

Notes *(continued)*

10 Stocks

Group and Company

	2013	2012
	£000	£000
Raw materials and consumables	**2,261**	2,218
Finished goods	**439**	552
	2,700	2,770

11 Debtors: amounts falling due within one period

	Group		**Company**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade debtors	**6,995**	5,636	**6,376**	5,140
Amounts owed by group undertakings (see note 21)	**-**	-	**-**	104
Other debtors	**146**	584	**146**	584
Prepayments and accrued income	**354**	482	**354**	482
	7,495	6,702	**6,876**	6,310

12 Creditors: amounts falling due within one period

	Group		**Company**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Shares classified as liabilities	**240**	240	**240**	240
Invoice discounting advances	**5,221**	3,266	**4,752**	2,871
Obligations under finance leases (see note 13)	**2,167**	1,676	**2,167**	1,676
Trade creditors	**7,417**	10,915	**7,414**	10,523
Other creditors including taxation and social security	**526**	273	**526**	110
Amounts owed to group undertakings (see note 21)	**-**	-	**1,082**	1,026
Accruals and deferred income	**2,980**	1,405	**2,769**	1,405
Other loans	**460**	-	**460**	-
	19,011	17,775	**19,410**	18,014

The invoice discounting facility is secured against the debtors to which it relates and expires on 1 July 2016.

Notes *(continued)*

13 Creditors: amounts falling due after more than one period

	Group 2013 £000	2012 £000	**Company 2013 £000**	2012 £000
Convertible loan notes	**6,182**	2,543	**6,182**	2,543
Loan notes	**95**	-	**95**	-
Trade creditors	**104**	410	**104**	410
Other loans	**690**	1,150	**690**	1,150
Obligations under finance leases	**6,314**	7,598	**6,314**	7,598
	13,385	11,701	**13,385**	11,701
Amount owed to JV partner	**6,088**	5,453	**6,088**	5,453
	19,473	17,154	**19,473**	17,154

Obligations under finance leases are secured on the assets to which they relate and bear interest at 9% per annum.

Obligations under finance leases are stated net of unamortised issue costs of £391,000 *(2012: £457,000).*

Other loans are secured on the assets of the Company and attract interest of 7.25% per annum.

Convertible loan notes

Convertible loan notes comprises £6,182,000 *(£2,543,000)* of 'G' convertible loan notes. Interest accrues on these loan notes at 15% per annum and the loan notes can be converted to 'G' ordinary shares at a rate of £391.67 per share prior to the repayment date of 30 June 2015.

During the year, £2m of 'G' convertible loan notes were issued on 22 February 2013, and £900,000 were issued on 22 November 2013.

Convertible loan notes are shown net of unamortised issue costs of £95,000 *(2012: £nil).*

Loan notes

On 22 November 2013, the company issued £95,000 of 'H' unconvertible loan notes. Interest accrues on these loan notes at 15% per annum and they have a repayment date of 30 June 2015.

Amount owed to Joint Venture partner

The Joint Venture agreement with Coca Cola Enterprises Limited ("CCEL") includes a number of scenarios whereby the Joint Venture agreement will be ended. One of those scenarios is that CCEL has the option, under certain circumstances, to sell its 33% stake to Eco Plastics Limited for consideration of £5m plus a notional return on capital (see below).

As the company cannot avoid this obligation, it is treated as a liability in accordance with FRS 25. As this liability does not fall due for at least ten periods from the date of the Joint Venture agreement, and may never crystallise, the balance has been disclosed separately from other liabilities in the balance sheet and is excluded from the analysis of debt below. This amount bears a return on capital of 11% per annum, provided certain performance conditions are met, which would become payable when and if the put option is exercised by CCEL.

Notes *(continued)*

13 Creditors: amounts falling due after more than one period *(continued)*

Analysis of debt:	**2013**	2012
	£000	£000
Debt can be analysed as falling due:		
Within one period, or on demand	**7,847**	4,942
Between one to two periods	**5,458**	2,314
Between two to five periods	**7,824**	8,977
Over five periods	**-**	-
	21,129	16,233

The maturity of obligations under finance leases is as follows:

	2013	2012
	£000	£000
Within one period	**2,280**	1,676
In the second to fifth periods	**6,592**	8,055
Over five periods	**-**	-
	8,872	9,731
Less unamortised issue costs	**(391)**	(457)
	8,481	9,274

The company has undrawn facilities of £3.1m at 29 December 2013, in the invoice discounting facility which can only be drawn down to the extent that the Group has sufficient qualifying debtors available as security.

14 Called up share capital

Group and company	**2013**	2012
	£	£
Allotted, called up and fully paid		
14,928 Ordinary shares of £0.10 each	**1,493**	1,493
9,011 'A' Ordinary shares of £0.10 each	**901**	901
3,250 'B' Ordinary shares of £0.10 each	**325**	325
13,518 'B' Preferred shares of £0.10 each	**1,352**	1,352
12,627 'C' Ordinary shares of £0.10 each	**1,263**	1,263
300,514 Deferred Ordinary shares of £0.10 each	**30,051**	30,051
16,869 'E' Ordinary shares of £0.10 each	**1,687**	1,687
	37,072	37,072
Shares classified as liabilities	**93**	93
Shares classified in shareholders' funds	**36,979**	36,979
	37,072	37,072

Notes *(continued)*

14 Called up share capital *(continued)*

An element of the 'B' Preferred Shares are classified as liabilities in accordance with FRS 25.

The respective rights of each class of share, subject to the other rights and restrictions contained in the company's articles of association, are as follows:

Voting

The holders of all the shares in issue, with the exception of Deferred Ordinary Shares, are entitled to one vote per share. The Deferred Ordinary shares carry no voting rights.

Dividends

The holders of the 'B' Preferred Shares were entitled to receive a cumulative Preferred Dividend of 8% per annum of their original subscription price, for the first 3 years. The profits of the company available for distribution, after payment of the Preferred Dividend, and which the directors at their discretion may resolve to distribute, shall be distributed amongst the holders of all except the Deferred Ordinary shares, as though they constituted one class of share. The Deferred Ordinary shares carry no rights to receive a dividend.

Return of Capital

In the event of a return of capital, other than through a compulsory liquidation, the assets of the company remaining after the payment of its liabilities shall be applied firstly in paying to the holders of the 'G' Ordinary shares seven times the original subscription price per share; secondly, in paying to the holders of the 'F' Ordinary shares £783.34 for each F ordinary share, thirdly in paying the holders of the 'E' Ordinary shares one times the original subscription price per share; the holders of the 'C' Ordinary shares, 'B' Ordinary shares, 'B' Preferred shares and 'A' Ordinary shares one and a half times the original subscription price per share; and fourthly, the balance of the assets of the company shall be distributed amongst the holders of all classes of share (except for the Deferred Ordinary shares) as though they constituted one class of share.

In the event of a return of assets on a compulsory liquidation of the company, the balance of the company's assets shall be applied in the order set out above subject to the amounts payable to the holders of the 'E' Ordinary, 'C' Ordinary, 'B' Ordinary, 'B' Preferred and 'A' Ordinary shares being limited to the original subscription price per share.

The holders of Deferred Ordinary shares are not entitled to receive any return of capital or assets of the company.

At the balance sheet date, no 'G' Ordinary shares or 'F' Ordinary shares had yet been issued as described in note 13.

Conversion

At the balance sheet date there were share options outstanding in respect of 3,954 *(2012: 6,574)* Ordinary shares of £0.10 each.

15 Share premium

Group and company	**Classified as liabilities**	**Classified as shareholders funds**	**Total**
	£000	**£000**	**£000**
At beginning and end of period	240	18,031	18,271

Notes *(continued)*

16 Reserves

Group	Other reserves £000	Own shares held by ESOP £000	Profit and loss account £000
At beginning of period	457	(200)	(12,017)
Loss for the period	-	-	(4,931)
Equity element of convertible loan issued in the period	146	-	-
Issue of shares held by ESOP	-	131	(131)
At end of period	**603**	**(69)**	**(17,079)**

Company	Other reserves £000	Own shares held by ESOP £000	Profit and loss account £000
At beginning of period	457	(200)	(11,688)
Loss for the period	-	-	(4,563)
Equity element of convertible loan issued in the period	146	-	-
Issue of shares held by ESOP	-	131	(131)
At end of period	**603**	**(69)**	**(16,382)**

At the balance sheet date 1,386 *(2012: 4,006)* Ordinary shares of £0.10 each were held by a company sponsored Employee Benefit Trust. The arrangements for distributing shares to employees by the trust are at the discretion of the trustees. It is not practical to quantify the market value of shares held. Shareholders' funds have been reduced by £69,000 *(2012: £200,000)* in respect of the purchase price of these shares.

Other reserves comprise the equity element of the convertible loan notes in issue at the balance sheet date which is a non-distributable reserve, in accordance with FRS 25.

Minority interests

Minority interests of £230,000 debit *(2012: £109,000 debit)* are fully provided against.

17 Commitments

a) There were no capital commitments at the balance sheet date *(2012: £nil)*.

b) Annual commitments under non-cancellable operating leases are as follows:

	2013 Land and buildings £000	**2013 Other £000**	2012 Land and buildings £000	2012 Other £000
Operating leases which expire:				
In less than one year	**-**	**16**	69	4
Between two and five years	**-**	**203**	-	209
Over five years	**1,107**	**-**	1,104	-
	1,107	**219**	1,173	213

Notes *(continued)*

18 Analysis of cash flows

	2013 £000	£000	2012 £000	£000
Returns on investment and servicing of finance				
Interest paid	**(379)**		(466)	
Interest element of finance lease rental payments	**(804)**		(910)	
		(1,183)		(1,376)
Capital expenditure				
Purchase of tangible fixed assets	**(1,810)**		(9,039)	
		(1,810)		(9,039)
Financing				
Issue of convertible loan notes	**2,891**		3,000	
Invoice discounting advances	**1,955**		450	
New borrowings	**-**		1,150	
Issue of loan notes	**95**		-	
Cost of issuing loan notes and convertible loan notes	**(95)**		-	
Capital element of finance lease rental payments	**(909)**		1,688	
		3,937		6,288

19 Analysis of net debt

	At beginning of period £000	Cash flow £000	Non cash changes £000	At end of period £000
Cash at bank and in hand	481	378	-	859
Debt due within one period	(3,266)	(2,415)	-	(5,681)
Debt due after one period	(3,693)	(2,431)	(843)	(6,967)
Finance leases	(9,274)	909	(116)	(8,481)
	(16,233)	(3,937)	(959)	(21,129)
Total	(15,752)	(3,559)	(959)	(20,270)

Finance leases are stated net of unamortised issue costs of £391,000 *(2012: £457,000).*

The amount owed to the Joint Venture partner has been excluded from the above analysis as described in note 13.

Notes *(continued)*

20 Share based payments

The company operates an EMI Scheme under which share options, settled by the issue of Ordinary shares in the company, have been granted to certain employees. The options may be exercised in the event of a sale or listing.

No options were granted during the current or prior period.

21 Related party transactions

Group

During the period, the group made sales to Coca Cola Enterprises Limited (and processors acting on behalf of Coca Cola Enterprises Limited), which owns a minority holding in Continuum Recycling Limited, of £10,962,000 *(2012: £2,093,000)*. At the end of the period a balance of £176,000 *(2012: £496,000)* was outstanding from Coca Cola Enterprises Limited.

Company

During the period, the company sold goods and provided management services to Continuum Recycling Limited, which is 67% owned by the group, of £10,962,000 *(2012: £2,093,000)*. At the end of the period a balance of £1,082,000 *(2012: £1,025,000)* was owed to Continuum Recycling Limited and at balance of £nil *(2012: £104,000)* was owed by Continuum Recycling Limited.

22 Post balance sheet events

On 13 March 2014, share options were issued to certain directors of the company. These options were exercisable subject to certain performance conditions or an exit event being achieved.

In September 2014, the company renegotiated the repayment of the borrowings secured upon its equipment and debtors and entered an agreement to convert 'G' loan notes into shares and subsequently convert all existing share capital to Ordinary shares. As a result, the share capital now consists entirely of a single class of Ordinary shares.

Subsequently, a rights issue was made to the holders of the Ordinary shares. Although this offer currently remains open, 1,190,781 Ordinary shares to which certain investors had subscribed in advance, have been issued leading to investment of £1,982,878 up to the date of signature of these financial statements.

23 Ultimate controlling party

No one investor controls 50% or more and the majority is held by private equity investors, which the directors consider to be held in their normal course of the investors' business of providing finance. The directors therefore consider that they are the ultimate controlling party of the company.