# Euro Packaging UK Limited

# Annual Report and Financial Statements

# for the year ended 31 December 2017

**Registered number: 07012425**

# Euro Packaging UK Limited

## Contents

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

Z K Lowe
P Timmins
S Windham Luck
Q Ahmed
D Seddon (appointed 2 October 2017)
D Smith (appointed 17 January 2018)

### SECRETARY

M Shaikh

### REGISTERED OFFICE

20 Brickfield Road
Yardley
Birmingham
B25 8HE

### BANKERS

HSBC Bank plc
4th Floor, 120 Edmund Street
Birmingham
B3 2QZ

### AUDITOR

Grant Thornton UK LLP
Statutory Auditor
80 Regent Road
Leicester
LE1 7NH
United Kingdom

# Strategic report
# For the year ended 31 December 2017

## Principal activity

The principal activity of the company is the supply of consumable and goods for resale products, both in-house manufactured and third party sourced, to the retail market sector. Additionally, the organisation provides a comprehensive consolidation solution of Goods Not For Resale (GNFR) to both food and non food retailers.

## Business review

The Company is continuing to develop and expand its product range in order to meet the ever-changing demands of the consolidation market, with a continuing year-on-year growth in the number of stock keeping units.

The Directors expect the business to continue to grow profitably in 2018, with even more consolidation contract gains, as well as implementing further SKU extensions in existing product ranges and additional product categories. Moreover, the organisation will continue to offer and develop product innovations, as well as providing our customers with market leading management information and electronic ordering facilities.

## Key performance indicators

The trading result is consistent with the key performance indicators that the directors monitor. Turnover increased by 3% on the previous year for the continuing operations and profit for continuing operations before taxation was £1,896,000 (2016: £1,159,000).

## Principal risks and uncertainties

In addition to the above, the company may be affected by a number of other risks and uncertainties not all of which are within its control.

### *Perceived environmental issues*

One of the company's principal activities is the distribution of plastic carriers to the retail sector. There has been a UK government led campaign over the last few years targeting the reduction in usage of such carriers because of their perceived environmental impact. There is a risk of further reduction in plastic bag usage both in the UK and overseas markets as further targets and/or environmental taxes are introduced. The company is at the forefront in the offering of alternative materials and product solutions to its customers to assist them in meeting their environmental obligations whilst maintaining the needs of the consumer.

### *Commodity price risk*

The company is exposed to commodity price risk in relation to the cost of its major raw material input, polyethylene resin. The company monitors trends in the market closely and liaises with related companies and third party suppliers in relation to fluctuations in the resin price and impact on future profitability. The company does not hedge its future raw material requirements but it does seek to recover major movements in the resin price through price adjustments with its customers when appropriate.

# Strategic report (Continued)

### *Future developments*

The directors anticipate increasing profitability in the following year, as the company continues to develop its existing markets and strategy.

Approved by the Board and signed on its behalf by:

D Smith
**Director**
3 September 2018
20 Brickfield Road
Birmingham
B25 8HE

# Directors' report
# For the year ended 31 December 2017

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2017. Future developments and principal risks can be found in the strategic report on page 2.

## Results and dividends

The audited financial statements for the year ended 31 December 2017 are set out on pages 11 to 32. The profit for the year before taxation was £1,896,000 (2016: £1,166,000). Profit after tax of £1,602,000 (2016: £958,000) was transferred to the reserves.

The directors do not recommend the payment of a dividend (2016: £nil).

## Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 in the financial statements.

## Directors

There are no outstanding third party indemnities.

The directors, who served during the year, and subsequently up to the date of signing the financial statements, were as follows:

M P Higson (resigned 6 July 2017)
Z K Lowe
P Timmins
S Windham Luck
Q Ahmed
D Seddon (appointed 2 October 2017)
D Smith (appointed 17 January 2018)

## Directors' Interests

There were no directors' interests in the shares of the company as at 31 December 2017 nor at 31 December 2016.

## Secretary

M Shaikh

# Directors' report (continued)

## Financial risk management

The company's activities expose it to a number of financial risks including cash flow, credit risk and liquidity risk.

### *Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. A majority of the company's inventory purchases are in US dollars. The company invoices a portion of its sales in US dollars which provides a natural hedge against some of the exposure to the currency fluctuations. The entity has entered in to forward currency contracts during the year to mitigate exposure to fluctuations in foreign exchange rates. No hedge accounting is adopted.

### *Credit risk*

The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit rating and the company has credit insurance policies in place to cover trade receivables. The company has no significant concentration of credit risk.

### *Liquidity risk*

The company monitors its cash flow on a daily basis as part of its normal control procedures.

## Charitable donations

During the year the Company made charitable and political donations of £2,710,000 (2016: £2,750,000).

## Disabled employees

People with disabilities receive the same consideration as others, with regard to recruitment, retention and personal development. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of the other employees.

## Employee consultation

Information relating to employee costs and numbers is given in note 6.

Employees are the key to achieving the company's business strategy and the company is committed to improving their skills through training, development and nurturing a culture in which employees feel valued for their contribution and are motivated to achieve their full potential. It is policy for every employee to be treated with respect and dignity in a culture of equal opportunities, in which personal success and the associated rewards depend on merit and performance.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that relevant employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through various activities.

# Directors' report (continued)

## Auditor

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

**Approved by the Board and signed on its behalf by:**

D Smith
**Director**
3 September 2018
20 Brickfield Road
Yardley
Birmingham
B25 8HE

# Directors' responsibilities statement

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 year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditor's report to the members of Euro Packaging UK Limited

## Opinion

We have audited the financial statements of Euro Packaging UK Limited for the year ended 31 December 2017, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Who we are reporting to

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.

## Conclusions relating to going concern

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

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

# Independent auditor's report to the members of Euro Packaging UK Limited (continued)

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and the Directors' Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

### Matter on which we are required to report under the Companies Act 2006

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

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

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

- adequate accounting records have not been kept, 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.

# Independent auditor's report to the members of Euro Packaging UK Limited (continued)

**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

Grant Thornton UK LLP

Thomas Copson (Senior Statutory Auditor)
for and on behalf of
**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants
East Midlands

3 September 2018

# Profit and loss account
# For the year ended 31 December 2017

| | Notes | **Total 2017 £'000** | Continuing operations **£'000** | Discontinued operations **£'000** | Total 2016 £'000 |
|---|---|---|---|---|---|
| Turnover | 3 | **84,362** | 81,928 | 6,680 | 88,608 |
| Cost of sales | | **(60,528)** | (59,881) | (5,569) | (65,450) |
| Gross profit | | **23,834** | 22,047 | 1,111 | 23,158 |
| Distribution costs | | **(3,940)** | (2,892) | (623) | (3,515) |
| Administrative expenses | | **(15,180)** | (15,346) | (481) | (15,827) |
| Other income/finance income | | **(101)** | 101 | - | 101 |
| Operating profit before charitable donations | | **4,613** | 3,910 | 7 | 3,917 |
| Charitable donations | 4 | **(2,710)** | (2,750) | - | (2,750) |
| Operating profit | | **1,903** | 1,160 | 7 | 1,167 |
| Interest payable and similar charges | | **(7)** | (1) | - | (1) |
| Profit before taxation | 5 | **1,896** | 1,159 | 7 | 1,166 |
| Taxation | 8 | **(294)** | (208) | | (208) |
| Profit for the year | | **1,602** | 951 | 7 | 958 |

The profit and loss account has been prepared to present separately those operations which are continuing, and those which are discontinued.

There are no recognised gains and losses other than those passing through the profit and loss account in the current and prior year. Accordingly, no separate statement of comprehensive income has been prepared.

# Balance sheet
# As at 31 December 2017

**Company registration no: 07012425**

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 9 | **2,680** | 2,543 |
| Investments | 10 | **16** | 16 |
| | | **2,696** | 2,559 |
| **Current assets** | | | |
| Stock | 11 | **10,678** | 11,336 |
| Debtors | 12 | **24,987** | 27,106 |
| Derivative financial asset | | **-** | 101 |
| Cash at bank and in hand | | **994** | 192 |
| | | **36,659** | 38,735 |
| Creditors: amounts falling due within one year | 13 | **(32,757)** | (36,604) |
| **Net current assets** | | **3,902** | 2,131 |
| **Total assets less current liabilities** | | **6,598** | 4,690 |
| Creditors: amounts falling due after one year | 14 | **(295)** | - |
| Provisions for liabilities | 15 | **(76)** | (65) |
| **Net assets** | | **6,227** | 4,625 |
| | | | |
| **Capital and reserves** | | | |
| Called up share capital | 16 | **2,000** | 2,000 |
| Profit and loss reserve | | **4,227** | 2,625 |
| **Total shareholder's funds** | | **6,227** | 4,625 |

The financial statements of Euro Packaging UK Limited were approved by the board of directors and authorised for issue and signed on its behalf by:

D Smith
Director
3 September 2018

# Statement of changes in equity
# As at 31 December 2017

| | Called up share capital £'000 | Profit and loss reserve £'000 | Total £'000 |
|---|---|---|---|
| **At 31 December 2015** | 2,000 | 1,667 | 3,667 |
| Profit and total comprehensive income for the financial year | - | 958 | 958 |
| **At 31 December 2016** | 2,000 | 2,625 | 4,625 |
| Profit and total comprehensive income for the financial year | - | 1,602 | 1,602 |
| **At 31 December 2017** | 2,000 | 4,227 | 6,227 |

# Cash flow statement
## For the year ended 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the financial year | | **1,602** | 958 |
| **Adjustments for:** | | | |
| Depreciation | 5, 9 | **579** | 645 |
| Interest paid | | **7** | 1 |
| Taxation charge | | **294** | 208 |
| Profit on disposal of fixed assets | 5 | **-** | - |
| (Increase)/decrease in debtors | 12 | **2,118** | (4,964) |
| Decrease/(increase) in stock | 11 | **658** | 9,100 |
| (Decrease)/increase in creditors | 13 | **(3,705)** | (5,965) |
| **Cash flow from operating activities before taxation** | | **1,553** | (17) |
| Corporation tax paid | 8 | **(416)** | (208) |
| **Net cash from operating activities** | | **1,137** | (225) |
| | | | |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of tangible fixed assets | | **-** | - |
| Purchase of tangible fixed assets | 9 | **(716)** | (392) |
| **Cash flow from investing activities** | | **(716)** | (392) |
| | | | |
| **Cash flow from financing activities** | | | |
| Interest paid | | **(7)** | (1) |
| Increase in finance leases | 14 | **466** | - |
| Repayments of obligations under finance leases | | **(78)** | (133) |
| **Cash flow from financing activities** | | **381** | (134) |
| | | | |
| **Net increase (decrease) in cash** | | **802** | (751) |
| Cash at bank and in hand at the beginning of the year | | **192** | 943 |
| **Cash at bank and in hand at the end of the year** | | **994** | 192 |

# Notes to the financial statements
# For the year ended 31 December 2017

## 1 Accounting policies

**Basis of accounting**

Euro Packaging UK Limited is a private company incorporated in the England and Wales under the Companies Act and is limited by shares. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 4.

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Euro Packaging UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

**Consolidation**

The company has not prepared consolidated accounts on the grounds that its subsidiary undertaking are not material for the purpose of giving a true and fair view as permitted by s405 of the Companies Act 2006.

**Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the strategic report. The directors' report also describes the financial risk management of the company and its exposure to cash flow, credit risk and liquidity risk.

The current economic conditions create uncertainty particularly over (a) the level of demand for the company's products; (b) the exchange rate between sterling and the US dollar and thus the consequence for the cost of the company's products for sale; and (c) the availability of finance in the foreseeable future.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current resources.

At the year end the company was reliant on working capital loans from related parties as disclosed in note 21. The directors of the related parties to which these loans are due have confirmed that they will not be demanding repayment within 12 months of the date of this report.

Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

| | |
|---|---|
| Plant and machinery | 10% per annum |
| Office and computer equipment | 20%-25% per annum |
| Motor vehicles | 20% on cost |
| Motor vehicles on finance lease | Life of lease |

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 1 Accounting policies (continued)

### Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

*(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 1 Accounting policies (continued)

**Financial instruments (continued)**

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

*(ii) Investments*

Investments in subsidiaries and associates are measured at cost less impairment.

*(iii) Equity instruments*

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

*(iv) Derivative financial instruments*

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date.. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

*Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

*Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 1 Accounting policies (continued)

**Impairment of assets (continued)**

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Stock**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. In respect of manufactured finished goods, cost includes all raw materials, consumables, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items, where appropriate.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes. Turnover is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 1 Accounting policies (continued)

### Pension costs

The company operates a defined contribution retirement benefit scheme and contributes to individual pension arrangements for certain employees. The assets of such arrangements are held separately from those of the company. The pension cost charge represents contributions payable by the company in the period. Differences between the contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

### Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease terms, even if the payments are not made on such basis. Benefits received and receivable as an incentive to sign operating leases are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### Provisions

The company recognises provisions for onerous contracts, restructuring costs and other obligations which exist at the balance sheet date. These provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. Management reassesses the amounts of these provisions at each balance sheet date in order to ensure that they are measured at the current best estimate of the expenditure required to settle the obligation at the balance sheet date. Any difference between the amounts previously recognised and the current estimates is recognised immediately in the profit and loss account.

## 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Management do not consider there to be any material key sources of estimation uncertainty. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

The following critical judgement has been identified by the directors in the process of applying the company's accounting policies.

**Stock provision**

To ensure that adequate provision is made in the company's accounts for slow moving, damaged and obsolete stock the directors recognise specific provisions based on the age and category of stock held at the year end.

## 3 Turnover - Segmental reporting

**Geographic analysis by location**

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| United Kingdom | **69,228** | 70,213 |
| Other countries | **15,134** | 18,395 |
| Total | **84,362** | 88,608 |

Turnover is attributable to the principal activity and originates solely in the United Kingdom. All of the company's net assets are held in the United Kingdom.

## 4 Charitable donations

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Donations | **2,710** | 2,750 |

During the year company made charitable donations to Euro Charity Trust, a charity registered in the United Kingdom.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 5 Profit before taxation

Profit before tax is stated after charging / (crediting):

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Depreciation of tangible fixed assets | 578 | 645 |
| Cost of stock recognised as an expense | 56,036 | 59,976 |
| Impairment of stock recognised as an expense | (17) | 48 |
| Operating lease rentals – land and buildings | 1,446 | 1,461 |
| Operating lease rentals – plant and machinery | 451 | 474 |
| Profit on sale of tangible fixed assets | - | - |
| Loss/(Gain) on foreign exchange | 149 | (48) |
| Fees payable to the company auditor for the audit of the financial statements | 25 | 28 |

Amounts payable to the company's auditor in respect of non-audit services were £4,000 (2016: £5,000). Non-audit services are in relation to the provision of taxation compliance services.

## 6 Employee costs

The average monthly number of employees (including executive directors) was:

| | 2017 | 2016 |
|---|---|---|
| | Number | Number |
| Management | 5 | 4 |
| Administration | 56 | 59 |
| Selling | 18 | 40 |
| Production and distribution | 255 | 268 |
| | 334 | 371 |

Their aggregate remuneration comprised:

| | £'000 | £'000 |
|---|---|---|
| Wages and salaries | 7,992 | 8,547 |
| Social security costs | 773 | 799 |
| Other pension costs (see note 17) | 71 | 76 |
| | 8,836 | 9,422 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 7 Directors' remuneration

The remuneration of the directors was as follows:

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Aggregate emoluments | 527 | 575 |
| Company contributions to money purchase pension schemes | 16 | 10 |
| | 543 | 585 |

The number of directors who were members of a pension scheme during the year was as follows:

| | 2017 | 2016 |
|---|---|---|
| | Number | Number |
| Money purchase schemes | 5 | 5 |

**Highest paid director**

The above amounts for remuneration include the following in respect of the highest paid director:

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Aggregate emoluments | 141 | 197 |
| Company pension contributions to defined contribution schemes | 6 | 6 |
| | 147 | 203 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 8 Tax charge on profit

The tax charge comprises:

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| UK corporation tax on profit for the year | 370 | 292 |
| Adjustment in respect of previous years | (87) | (69) |
| **Total current tax** | 283 | 223 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (3) | (58) |
| Adjustment in respect of previous years | 14 | 41 |
| Effect of changes in tax rates | - | 2 |
| **Total deferred tax** (see note 14) | 11 | (15) |
| **Tax on profit** | 294 | 208 |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 19.25% (2016: 20.25%). The differences are explained below:

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| **Profit before taxation** | 2,377 | 1,166 |
| Tax on profit multiplied by the standard UK corporation tax rate of 19.25% (2016: 20.00%) | 365 | 233 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1 | 1 |
| Adjustments from previous periods | (87) | (28) |
| Movement in short-term timing differences | 4 | - |
| Effect of changes in tax rate | - | 2 |
| **Total corporation tax charge** | 283 | 208 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 8 Tax charge on profit (continued)

In the current year, the main rate of UK corporation tax was 19.25%. Reduction in the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020 have both been substantively enacted at the balance sheet date. Temporary differences have been measured using the substantively enacted rates that are expected to apply when the liability is settled or the asset realised.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 9 Tangible fixed assets

| | Plant and machinery | Office and computer equipment | Motor vehicles | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | |
| At 1 January 2017 | 4,116 | 444 | 466 | 5,026 |
| Additions | 661 | 20 | 34 | 715 |
| **At 31 December 2017** | **4,777** | **464** | **500** | **5,741** |
| **Depreciation** | | | | |
| At 1 January 2017 | 1,942 | 253 | 288 | 2,483 |
| Charge for the year | 460 | 61 | 57 | 578 |
| **At 31 December 2017** | **2,402** | **314** | **345** | **3,061** |
| **Net book value** | | | | |
| **At 31 December 2017** | **2,375** | **150** | **155** | **2,680** |
| At 31 December 2016 | 2,174 | 191 | 178 | 2,543 |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Plant and machinery | **427** | - |

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 10 Investments

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Euro Packaging (Suisse) SARL (Inc. Switzerland) 100% ordinary owned – Sale of luxury packaging* | 13 | 13 |
| Euro Packaging Iberia SL (Inc. Spain) 100% owned – Sale of plastic bags** | 3 | 3 |
| **Subsidiary undertakings** | 16 | 16 |

*The registered address of Euro Packaging (Suisse) SARL is Morgenstrasse 129, 3018 Bern, Switzerland

** The registered address of Euro Packaging Iberia SL is Barrio Samano 74 A A3, 39709 Castro-Urdiales, Spain

## 11 Stock

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Raw materials and consumables | 1,838 | 2,400 |
| Finished goods and goods for resale | 7,598 | 7,959 |
| Goods in transit | 1,242 | 977 |
| | 10,678 | 11,336 |

There is no material difference between the balance sheet value of stocks and their replacement cost.

## 12 Debtors

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Trade debtors | 16,141 | 14,860 |
| Other debtors | 676 | 619 |
| Amounts due from related parties | 7,898 | 11,188 |
| Prepayments and accrued income | 272 | 439 |
| | 24,987 | 27,106 |

All of the above amounts are considered to be due within one year.

Trading balances due from related parties are repayable on demand, unsecured, subject to normal trading terms and do not attract interest. Loans due from related parties attract interest rates of 2.25%.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 13 Creditors: amounts falling due within one year

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Trade creditors | 7,124 | 4,498 |
| Amount owed to parent company | 6,177 | 6,936 |
| Amounts owed to related undertakings | 14,879 | 19,176 |
| Amounts owed on finance lease | 93 | - |
| Other creditors | 1,655 | 2,951 |
| Other taxation and social security | 205 | 213 |
| Corporation tax creditor | 370 | 502 |
| Accruals and deferred income | 2,254 | 2,328 |
| | 32,757 | 36,604 |

Amounts owed to the parent company and related undertaking are unsecured, interest free and repayable on demand.

## 14 Creditors: amounts falling due after one year

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Amounts owed on finance lease | 295 | - |

## 15 Provisions for liabilities

| | Deferred tax | |
|---|---|---|
| | 2017 | 2016 |
| | £'000 | £'000 |
| **At 1 January** | 65 | 80 |
| Debit/(Credit) to profit and loss account | 11 | (15) |
| **At 31 December** | 76 | 65 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 15 Provisions for liabilities (continued)

The deferred tax balance comprises:

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Capital allowances in excess of depreciation | **90** | 65 |
| Short term timing difference | **(14)** | - |
| | **76** | 65 |

There is no expiry date on timing differences, unused tax losses or tax credits.

## 16 Called up share capital and reserves

| | **2017** | 2016 |
|---|---|---|
| | **£'000** | £'000 |
| **Allotted, issued and fully paid:** | | |
| 2,000,002 ordinary shares of £1 each | **2,000** | 2,000 |

There is only one class of ordinary shares which carry no right to fixed income.

The company's other reserve is the profit and loss reserve which represents cumulative net profits.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 17 Financial commitments

Total commitments under non-cancellable operating leases are as follows:

| | **Other** | Other |
|---|---|---|
| | **2017** | 2016 |
| | **£'000** | £'000 |
| **Expiry date** | | |
| - within one year | **439** | 441 |
| - between two and five years | **981** | 1,153 |
| - after five years | **-** | - |
| | **1,420** | 1,594 |

## 18 Pension costs

### Defined contribution schemes

The company operates a defined contribution retirement benefit scheme and contributes to individual pension arrangements for certain employees. The assets of such arrangements are held separately from those of the company.

The total cost charged to income in the year of £71,000 (2016: £76,000) represents contributions payable to these arrangements by the company at rates specified in the rules of the plans. As at 31 December 2017, no contributions were due to the schemes in respect of the current reporting year (2016: £nil).

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 19 Financial instruments

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Financial assets** | | |
| Measured at fair value and designated in an effective hedging relationship | | |
| • Derivative financial assets (see note 20) | - | 101 |
| Debt instruments measured at amortised cost | | |
| • Trade and other debtors (see note 12) | 16,142 | 14,860 |
| • Amounts due from related parties (see note 12) | 7,898 | 11,188 |
| • Cash and cash equivalents | 994 | 192 |
| | 25,034 | 26,341 |

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Financial liabilities** | | |
| Measured at amortised cost | | |
| • Trade and other creditors (see note 13) | 7,124 | 4,498 |
| • Amounts owed to related undertakings (see note 13) | 6,177 | 6,936 |
| • Amounts owed to fellow subsidiary undertakings (note 13) | 14,879 | 19,176 |
| • Obligations under finance leases (see notes 13 and 14) | 388 | - |
| | 28,568 | 30,610 |

## 20 Derivative financial instruments

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Derivative assets that are carried at fair value** | | |
| Forward foreign currency contracts | - | 101 |

All forward foreign currency contracts are due within one year. Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

# Notes to the financial statements (continued)
# For the year ended 31 December 2017

## 20 Derivative financial instruments (continued)

*Forward foreign currency contracts*

The following table details the forward foreign currency contracts outstanding as at the year-end:

| Outstanding contracts | Notional value | | Fair value | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| *Buy* | | | | |
| Less than 3 months | - | 3,946 | - | 101 |

The Group had entered into forward foreign currency contracts to hedge against adverse movements in the foreign exchange market. Rates are not disclosed in the above table as this information is deemed to be commercially sensitive.

## 21 Related party disclosures

At 31 December 2017, there is a loan balance owing from Coppice Alupack Ltd of £100,000 (2016: £600,000). This bears interest at 2.25%

The amounts owed to the parent company, Euro Packaging Jersey Ltd, relates to trading loans of £6,177,000 (2016: £6,936,000). The loan is unsecured, is interest free and is repayable on demand.

At 31 December 2017, there are trading balances owing from the Majid family of £7,000 (2016: £100,000).

During the year, the company purchased goods in the ordinary course of business from companies related through ultimately common shareholders. The transactions and balances at year end are as follows:

| | **2017** | **2017** | 2016 | 2016 |
|---|---|---|---|---|
| | **£'000** | **£'000** | £'000 | £'000 |
| | **Purchases** | **Creditors** | Purchases | Creditors |
| Jena (UK) Ltd | **522** | **483** | 244 | 850 |
| Coppice Alupack Ltd | **88** | **46** | 69 | 2 |
| A P Burt & Sons Ltd | **127** | **37** | - | - |
| Euro Packaging Ambalaj | **-** | **2,247** | - | 3,247 |
| Euro Capital General Trading LLC | **-** | **9,429** | - | 9,437 |
| Euro Nature Green SDN | **14,213** | **2,636** | 15,230 | 5,639 |
| | **14,950** | **3,202** | 15,543 | 5,871 |

## 21 Related party disclosures (continued)

During the year, the company sold goods in the ordinary course of business to companies related through ultimately common shareholders. The transactions and balances at year end are as follows:

| | **2017** | **2017** | 2016 | 2016 |
|---|---|---|---|---|
| | **£'000** | **£'000** | £'000 | £'000 |
| | **Sales** | **Debtors** | Sales | Debtors |
| Jena (UK) Ltd | **8,079** | **7,424** | 2,406 | 4,313 |
| Coppice Alupack Ltd | **34** | **36** | 25 | 23 |
| A P Burt & Sons Ltd | **115** | **71** | - | - |
| Euro Property Investments Ltd | **-** | **14** | - | 13 |
| Euro Packaging Iberia S.L | **-** | **179** | - | 220 |
| Euro Packaging (Suisse) SarL | **-** | **67** | - | 17 |
| | **4,200** | **7,791** | 2,431 | 4,586 |

The company paid rents to Euro Property Investments Limited, a related company through ultimately common ownership, totalling £1,493,000 (2016: £1,461,400) in the year.

During the year company made charitable donations to Euro Charity Trust, a charity registered in the United Kingdom, of £2,700,000 (2016: £2,750,000)

## 22 Contingent liability

The company is currently subject to a review by the French tax authorities of its Permanent Establishment status in France which could give rise to a claim for underpaid French VAT. The Directors have sought legal advice and detailed discussions are ongoing at the point of signing these financial statements. Based on the advice to date the Director's do not believe that an amount will be payable. Given the nature of the claim and potential appeals process, it is impracticable for the Director's to assess the timing of any related outflow or the amount of any possible reimbursement.

## 23 Ultimate parent company and controlling party

The parent company and controlling party is Euro Packaging Jersey Limited, a company registered in Jersey whose registered office address is 3rd Floor 37 Esplande, St. Helier, Jersey JE2 3QA. The controlling parties are Afzal Majid Alimahomed and Shabir Majid Alimahomed, each owning 50% of the share capital of Euro Packaging Jersey Limited.

## Related Party Debtors

| | 2017 £ | 2016 £ |
|---|---|---|
| Jena (UK) Ltd | 7,424,329 | 10,055,863 |
| Greenpac (Europe) Ltd | - | 79,279 |
| Coppice Alupack Ltd | 36,003 | 23,383 |
| A P Burt & Sons Ltd | 70,538 | - |
| Euro Property Investments Ltd | 13,725 | 12,657 |
| Euro Nature Green SDN | - | 70,936 |
| Euro Capital General Trading LLC | - | 9,128 |
| Euro Packaging Iberia S.L | 178,692 | 219,985 |
| Euro Packaging (Suisse) SarL | 66,526 | 17,346 |
| Majid Family | 7,836 | 100,115 |
| Coppice Alupack Ltd – Loan | 100,000 | 600,000 |
| | 7,897,649 | 11,188,692 |

## Related Party Creditors

| | 2017 £ | 2016 £ |
|---|---|---|
| Jena (UK) Ltd | 483,685 | 850,148 |
| Coppice Alupack Ltd | 46,191 | 2,321 |
| A P Burt & Sons Ltd | 36,990 | - |
| Euro Nature Green SDN | 2,635,539 | 5,639,021 |
| Euro Packaging Ambalaj | 2,247,443 | 3,247,443 |
| Euro Capital General Trading LLC | 9,428,694 | 9,436,843 |
| Euro Packaging Jersey Ltd | 6,177,207 | 6,936,480 |
| | 21,055,750 | 26,113,256 |