

REGISTERED NUMBER 9582502

Plastipak UK Ltd

Report and accounts for the year ending 31st October 2017

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COMPANIES HOUSE

Plastipak UK Ltd
DIRECTORS AND ADVISORS

Directors	WC Young F Pollock M Plotzke
Independent Auditors	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Citibank plc Canada Square Canary Wharf London E14 5LB
Registered office	Ellice Way Wrexham Technology Park Wrexham Clwyd LL13 7YL
Registered number	9582502 (England & Wales)

STRATEGIC REPORT for the year ended 31 October 2017**Principal activities**

The principal activity is the provision of packaging solutions to a wide variety of industry sectors within the UK. The Company manufactures rigid plastic polyethylene terephthalate (PET) preforms, bottles and containers for use in the beverage (carbonated soft drinks, mineral water and juice), food, personal care, healthcare and household chemical sectors.

Review of the business

The Directors are satisfied with the trading performance and results for the year to 31 October 2017, the table shows the EBITDA for the year was £10.8m. This was slightly lower than prior year due to a contract loss but the company has traded above budget during this year. The company protects itself against fluctuations in margin by aligning selling prices to market resin indices thus ensuring that the company can respond quickly to changes in its cost base and protect its margins.

The company changed its capital structure during the year by creating £13.6m of additional ordinary shares and paying down its EUR-denominated loan from its parent company. This gives the company a stronger capital base and also reduces its exposure to currency fluctuations.

The company's final salary pension obligation (before recognising deferred tax) decreased by £10.7m due to (i) actuarial gains, (ii) cash payments of £3m by the company and (iii) a reassessment of the actuarial assumptions based on more accurate membership data.

	2017	2016
EBITDA is calculated as :	£'000	£'000
Operating profit	4,058	4,419
Amortisation	331	320
Depreciation	6,449	6,359
EBITDA	10,838	11,098

Key performance indicators ("KPIs")		2017	2016
<i>Financial</i>	Achieving EBITDA target	Yes	Yes
<i>Non - financial</i>	Notifiable incidents reported to HSE	Zero	One

Future developments

The Company continues to grow and to seek new opportunities in the fields of PET preforms and containers and works in close partnership with existing customers to secure further long term contracts and to offer new and innovative PET solutions for a wide range of packaging requirements. The business has continued to invest heavily in new manufacturing technology to achieve economies of scale. This investment will continue into the future as will investment in lightweighting the product range, in energy saving projects and in finding the optimum supply chain solutions. In this way the company expects to remain competitive and is confident that it has a strategy in place which will secure long term growth.

Demand for post-consumer PET is growing rapidly due to the high media interest in recycling plastics and many large brands are seeking to introduce or increase their usage of this material in their packaging products. Coupled with the company's multi-year customer contracts and strong relationships with major players in the water and soft drinks industries the company is in a strong position to capitalise on these market growth opportunities.

On 25th October 2016 the company created a 100% subsidiary - Clean Tech Europe Limited. On 2nd November 2016 it purchased selected assets from Evolve Polymers Ltd comprising a PET recycling site at Hemswell in Lincolnshire. The Plastipak Group are investing heavily in the recycling plant so more of the group's finished products can be produced from UK-sourced recycled PET ("rPET") rather than sourcing from a sister company in France.

On 15th November 2016 Clean Tech Europe Limited changed its name to Clean Tech U.K. Limited.

The Company continues to work in close partnership with existing customers to secure further long term contracts and to offer new and innovative PET solutions for a wide range of packaging requirements. The business has continued to invest heavily in new manufacturing technology to achieve economies of scale. This investment will continue into the future as will investment in lightweighting the product range, in energy saving projects and in finding the optimum supply chain solutions (reducing spend on warehousing, transport and returnable packaging). In this way the company expects to remain competitive and is confident that it has a strategy in place which will secure long term growth.

STRATEGIC REPORT for the year ended 31 October 2017 (continued)

Principal risks and uncertainties

The Company operates in a competitive marketplace and acknowledges the continual potential risk that it may lose sales to its key competitors. The Company manages this risk by focusing on and developing its major strengths which securing a broad spread of long term contracts, expanding the product portfolio (through innovation and new design), delivering a quality service and building strong relationships with customers.

Major elements within the cost base, in particular raw materials, energy and fuel, have been subject to both volatility and significant increases over recent years. The potential risk this has on business profitability has been dealt with, where possible, by linking customer prices to the cost of these key components. Prices are thus changed, often on a monthly basis, to ensure that such volatility does not impact adversely on profit.

Financial risk management

The Company's operations expose it to a variety of financial risks which it minimises in the following ways :

- Exchange risk is mitigated by means of forward currency contracts which is driven by the need to purchase raw materials in Euro.
- In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the Company uses a long-term loan from its parent company.
- Customer prices are linked to material price indices / other agreements and reviewed regularly thus reducing raw material price volatility.
- All customers have credit limits which are monitored using credit rating agencies, market intelligence and trading history.

By order of the Board



M Plotzke

Director

Dated : 19 JULY 2018

DIRECTORS' REPORT for the year ended 31 October 2017

The Directors present their report and the audited financial statements of the company for the year ended 31 October 2017

Directors

The directors who held office during the year and up to the date of signing of the financial statements were :

WC Young
F Pollock
M Plotzke

None of the directors who held office had any discloseable interest in the shares of the company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After reviewing the Company's forecasts & projections, and consideration of the parental support, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and therefore has adopted the going concern basis in preparing its financial statements.

Results and dividends

The result for the year was a profit of £1,679,000 (PY : loss of £5,061,000).

Net assets of the company have increased by £21,918,000 due to :

- Positive trading result after tax (above)
- The net liabilities of the company's final salary pension decreased by £8m due to (i) actuarial gains, (ii) cash payments of £3m by the company and (iii) a reassessment of the actuarial assumptions based on more accurate membership data.
- Issuing £13.6m of Ordinary shares in exchange for repaying £13.6m of intercompany debt

The directors do not recommend the payment of a dividend (PY : Nil).

Employees

The Company gives full consideration to applications for employment from disabled persons where the candidates particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled it is the Company's policy to provide continued employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this.

The Company is committed to providing all staff and management with an appropriate level of training. This is designed to ensure that personnel, at all levels in the organisation, have the right attitude and skills required for them to perform their roles. It includes on the job training as well as involvement in local and national training and development initiatives.

The Company also communicates and consults with employees on a regular basis thereby keeping staff informed and involved in the progress of the Company and its future. Communication channels include monthly team briefs, a regular newsletter and full participation by the leadership team in a Partnership Council. Management regularly review the effectiveness of employee communication and improvements are implemented as required.

There is a Directors and Officers insurance policy in place.

Charitable contributions

During the year the company made local charitable donations of £500 (PY : £500).

Environment

The company recognises the importance of its environmental responsibilities and operates in accordance with group policies.

Future developments

An indication of the likely future developments of the business is included in the Strategic report.

DIRECTORS' REPORT for the year ended 31 October 2017 (continued)

Research and development

The primary aims of our research and development work are to improve packaging and process technologies from both economic and environmental points of view. Improved technology helps us to continue meeting the expectations of our customers and end users.

Creditor payment policy

The company's current payment policy for all goods and services is to :

- Settle the terms of payment with those suppliers when agreeing to deal with them;
- Ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- Pay in accordance with its contractual and other legal obligations.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 ("FRS 102"), the financial reporting standard applicable in the UK and Republic of Ireland.

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

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

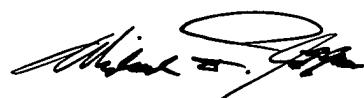
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

Disclosure of information to auditors

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

- So far as they are aware, there is no relevant audit information of which the company's auditors are unaware;
- They 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 auditors are aware of that information.

By order of the Board



M Plotzke

Director

Dated : 19 JULY 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLASTIPAK UK LTD

We have audited the financial statements of Plastipak UK Ltd for the year ended 31 October 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 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 are we 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLASTIPAK UK LTD (continued)

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

- 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, 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.



Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Dated : 19 JULY 2018

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 October 2017

	Note	2017 £'000	2016 £'000
Turnover	6	158,794	162,437
Cost of sales		(115,812)	(119,294)
Gross profit		42,982	43,143
Administrative expenses		(34,124)	(35,439)
Distribution costs		(4,982)	(4,978)
Other operating income		182	1,693
Operating profit		4,058	4,419
Interest payable	9	(2,474)	(1,870)
Unrealised exchange losses	9	614	(8,775)
Interest payable and similar charges	9	(1,860)	(10,645)
Profit / (loss) on ordinary activities before taxation	7	2,198	(6,226)
Tax (charge) / credit on loss on profit / (loss) on ordinary activities	10	(519)	1,165
Profit / (loss) for the year		1,679	(5,061)
Other comprehensive income :			
Actuarial gains/(losses) on defined benefit pension plans		7,999	(14,095)
Deferred tax movement relating to actuarial losses	19	(1,360)	2,472
Other comprehensive income for the year		6,639	(11,623)
Total comprehensive income for the year		8,318	(16,684)

All of the total comprehensive income for the financial year is attributable to the owners of the company.

All items relate to continuing activities.

The attached notes form part of these financial statements.

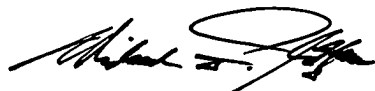
STATEMENT OF FINANCIAL POSITION as at 31 October 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	1,905	2,234
Tangible assets	12	28,460	30,580
Investment in subsidiary	13	6,200	-
		36,565	32,814
Current assets			
Stock	14	13,098	13,094
Debtors	15	27,482	35,696
Cash at bank and in hand		38	501
		40,618	49,291
Creditors: amounts falling due within one year	16	(31,560)	(32,296)
Net current assets		9,058	16,995
Total assets less current liabilities		45,623	49,809
Creditors: amounts falling due after more than one year	17	(32,446)	(47,927)
Provisions for liabilities			
Dilapidations	18	(1,456)	(1,416)
Pension obligations	26	(4,372)	(15,035)
Net assets / (liabilities)		7,349	(14,569)
Capital and reserves			
Called up share capital	21	16,288	2,688
Profit and loss reserve	SOCE	(8,939)	(17,257)
Shareholder's funds / (deficit)		7,349	(14,569)

The attached notes form part of these financial statements.

These financial statements were approved by the Board of directors on **19 JULY 2018**

Signed on behalf of the board of directors :



M Plotzke
Director

Registered number 9582502

STATEMENT OF CHANGES IN EQUITY for the year ended 31 October 2017

	Called-up share capital £ '000	Capital contribution £ '000	Profit and loss reserve £ '000	Total £ '000
Year to 31 October 2016				
At 1st November 2015	-	2,688	(573)	2,115
Issue of ordinary shares	2,688		-	2,688
Conversion of capital contribution		(2,688)		(2,688)
Equity movements in the year	2,688	(2,688)	-	-
(Loss) for the year	-	-	(5,061)	(5,061)
Other comprehensive income	-	-	(11,623)	(11,623)
Total comprehensive income	-	-	(16,684)	(16,684)
At 31 October 2016	2,688	-	(17,257)	(14,569)
			Arising through profit and loss	(4,869)
			Arising through OCI	(12,388)
			Profit and loss reserve	(17,257)
Year to 31 October 2017				
Issue of ordinary shares	13,600		-	13,600
Equity movements in the year	13,600	-	-	13,600
Profit for the year	-	-	1,679	1,679
Other comprehensive income	-	-	6,639	6,639
Total comprehensive income	-	-	8,318	8,318
At 31 October 2017	16,288	-	(8,939)	7,349
			Arising through profit and loss	(3,190)
			Arising through OCI	(5,749)
			Profit and loss reserve	(8,939)

The total represents the amount attributable to the owners of the parent company.

STATEMENT OF CASH FLOWS for the year ended 31 October 2017

	2017 £'000	2016 £'000
Cash flow from operating activities		
Profit / (loss) for the year	1,679	(5,061)
Adjustments for :		
Interest payable	1,860	10,645
Corporation tax payable	519	(1,165)
Amortisation of intangible assets	331	320
Depreciation of tangible assets	6,449	6,359
Profit on sale of fixed assets	241	-
Movement in stocks	(4)	(362)
Movement in debtors	3,507	4,225
Movement in creditors	(549)	(2,283)
Net cash flow from operating activities	14,033	12,678
Corporation tax paid	619	(2,249)
Cash payments to defined benefit pension scheme	(2,960)	(2,668)
	11,692	7,761
Cash flows from investing activities		
Purchase of intangible assets	(2)	(56)
Purchase of tangible assets	(4,942)	(5,195)
Proceeds from sale of tangible assets	372	98
Purchase of investments	(6,200)	-
Net cash flow from investing activities	(10,772)	(5,153)
Cash flows from financing activities		
Repayment of group loan	(9,739)	(6,141)
Proceeds of loans from Group undertakings	-	-
Capital element of finance leases repaid	-	(65)
Interest paid	(2,729)	(1,763)
Realised exchange	(2,515)	(210)
Proceeds from issue of shares	13,600	-
Net cash flow from financing activities	(1,383)	(8,179)
Net movement in cash and cash equivalents	(463)	(5,571)
Cash and cash equivalents at the beginning of the year / period	501	6,072
Net movement in cash and cash equivalents	(463)	(5,571)
Cash and cash equivalents at end of the year	38	501

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017

1 Company information and registered office

Plastipak UK Ltd is a private company limited by shares, registered in England and Wales, number 9582502.

Registered office :

Ellice Way
Wrexham Technology Park
Wrexham
Clwyd
LL13 7YL

The principal activity of the business is manufacturing PET packaging products.

The parent undertaking of the smallest group which includes the company for which group accounts are prepared is Plastipak Luxembourg Sarl which is incorporated in Luxembourg.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in pounds sterling (£'000) because that is the currency of the primary economic environment in which the company operates.

Consolidated accounts have not been prepared as accounts are publicly available for Plastipak. Luxembourg Sarl.

3 Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After reviewing the Company's forecasts & projections, and consideration of the parental support, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and therefore has adopted the going concern basis in preparing its financial statements.

4 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include :

Pensions

The company operates a defined benefit pension scheme being the Plastipak UK Ltd pension scheme. The obligations under this defined benefit scheme are recognised in the statement of financial position and represent the present value of the obligations calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, annual rates of return and mortality rates. These assumptions vary from time to time according to prevailing economic conditions. Details of the assumptions used in the year ended 31 October 2017 are set out in the notes to these financial statements.

Deferred tax

A deferred tax asset of £2,272,000 (PY : £4,162,000) has been recognised. The Directors have reviewed the forecasts and expected taxable profits of the company in order to assess the recoverability of this asset and have concluded that its recovery is probable.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

4 Significant judgements and estimates (continued)

Carrying value of investment in subsidiary

The directors have considered the carrying value of the investment in Clean Tech UK Limited ("Clean Tech") of £6.2m which was incorporated in November 2016 and then purchased the trade and selected assets from the administrators of Evolve Polymers Limited.

2017 has been Clean Tech's first year of trading and the company is undergoing a turnaround and integration process with circa £8m being invested in new sort line equipment and related production equipment during 2017 and 2018. Although the business is not yet profitable this investment is yielding encouraging results and the directors expect that the business will become profitable in the future.

The directors have considered Clean Tech's trading forecasts. Based on these forecasts, the willingness of the US parent company to continue to provide financial support and the market growth referred to above, the directors believe that the carrying value of the investment in Clean Tech is fairly stated.

At each reporting date the carrying value of investments is reviewed for impairment. This requires an estimate of the "recoverable amount" - the higher of "value in use" and fair value less costs to sell - of the cash generating unit. Estimating the value in use requires the directors to make an estimate of the expected future cash flows of the entity and choose a suitable discount rate to calculate the present value of those cash flows. This also includes a key assumption that productivity will increase. The actual cash flows may differ from the directors' estimates.

5 Principal accounting policies

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

Business combinations

The acquisition of businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the company in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to allocate the cost of intangibles over their estimated useful life using the straight-line method and is included within administrative expenses. The principal annual rates used for this purpose are :

- Goodwill - 10 years
- Software - 3 years

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to allocate the cost of tangible fixed assets over their estimated useful life using the straight-line method. The principal annual rates used for this purpose are :

- Leasehold improvements - term of lease
- Plant, machinery and equipment - between 3 and 15 years

Assets in the course of construction are capitalised at cost but not depreciated until complete when they are transferred to plant and machinery.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

5 Principal accounting policies (continued)

Impairment of fixed assets

At each reporting date all fixed assets are reviewed to determine whether there is any indication that they have suffered an impairment loss. If there is an indication of impairment the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised in prior years. Any reversal of an impairment loss is also recognised in profit or loss.

Stock

Stock has been valued at the lower of cost and net realisable value. Cost includes a proportion of overheads relative to the stage of production reached. Where necessary, a provision has been made to reduce the value of slow-moving, unsalable and obsolete stock to net realisable value.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk.

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

Financial assets and financial liabilities are recognised on the balance sheet when the group becomes a party to the contractual provisions of the instrument. Borrowings, which include interest bearing loans, are recorded at their fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently, these are stated at amortised cost, using the effective interest rate method.

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

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to profit and loss over the year of the lease and represent a constant proportion of the balance of capital repayments outstanding.

Operating leases are charged to profit and loss on a straight line basis over the duration of the lease.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

5 Principal accounting policies (continued)

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting years using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currencies

Transactions in foreign currencies are recorded at the spot rate ruling at the date of the transaction or at an average rate where this approximates the actual rate. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the end of the financial year. Exchange differences are taken to profit and loss as they arise.

Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefits, that can be reliably estimated, will be required to settle the obligation.

Dilapidation costs on property leases are provided for on a discounted basis to cover costs to reinstate the property to its original condition, including the dismantling and removal of plant and machinery.

Turnover

Turnover represents sales invoiced exclusive of value added tax and is recognised when the significant risks and rewards of ownership of the goods has transferred to the customer. This is typically at the point the customer has received or collected the goods.

Research and development

Research and development expenditure is written off to profit or loss in the year it is incurred.

Pensions

The Company operates a funded defined benefit pension scheme which is contracted out of the state scheme. The scheme is now closed and therefore future accruals for existing members have ceased. It provides benefits based on final pensionable pay and the assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the deficit is split between operating charges, finance items and, in other comprehensive income, actuarial gains and losses and return on scheme assets (excluding amounts included in net interest).

The Company also operates a defined contribution scheme. Contributions in respect of this scheme are charged to profit and loss as they become payable in accordance with the scheme rules.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

6 Turnover	2017	2016
	£'000	£'000
United Kingdom	142,726	153,224
Europe	15,875	9,213
Rest of world	193	-
	158,794	162,437

All turnover relates to the sale of goods.

7 Profit / (Loss) on ordinary activities before taxation	2017	2016
	£'000	£'000
<i>This is stated after :</i>		
Auditor's remuneration	112	85
Tax compliance fees	70	75
Operating lease payments	2,918	2,983
Amortisation of intangible fixed assets	331	320
Depreciation of tangible fixed assets	6,449	6,359
Foreign exchange (profits)/losses	(614)	8,775

8 Employees	2017	2016
	£'000	£'000
<i>Employee costs :</i>		
Salaries	13,154	14,231
Social security costs	1,509	1,340
Defined contribution pension costs	1,403	1,270
	16,065	16,841

The directors of the Company received earnings from other group companies during the year and it is not practicable to ascertain the proportion of those earnings that specifically relate to this Company.

The monthly average number of persons employed was :

	Number	Number
Production	250	253
Administration	71	71
	321	324

9 Interest payable and similar charges	2017	2016
	£'000	£'000
Interest :		
On amounts owed to group undertakings	2,138	1,747
Pension net interest cost	336	107
Other interest payable	-	16
	2,474	1,870
Exchange :		
(Gain)/loss on retranslation of group loan	(1,028)	10,561
(Gain)/loss on forward derivatives contracts	(1,686)	(2,118)
Other exchange gains and losses	2,100	332
	(614)	8,775
Net interest payable	1,860	10,645

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

10	a) Tax on profit on ordinary activities	2017 £'000	2016 £'000	
	Current tax			
	UK corporation tax on profits for the year	-	-	
	Overprovision in respect of prior year	(11)	(92)	
	Total current tax	(11)	(92)	
	Deferred tax			
	Short term timing differences	381	(1,119)	
	Effect of rate change on opening balances	149	12	
	Adjustment in respect of prior year	-	34	
	Total deferred tax	530	(1,073)	
	Tax charge / (credit) on profit on ordinary activities	519	(1,165)	
	Factors affecting the tax charge for the year			
	Profit / (Loss) on ordinary activities before tax	2,198	(6,226)	
	Expected tax charge / (credit) at the standard rate of tax of 19.42%	427	(1,245)	
	Expenses not deductible for tax purposes	9	7	
	Losses carried back to previous period	-	11	
	Fixed asset differences	-	(32)	
	Other tax adjustments, reliefs and transfers	(3)	-	
	Chargeable gains/(losses)	2	-	
	Amounts (charged)/credited directly to equity or otherwise transferred	1,553	(2,819)	
	Deferred tax (charged)/credited directly to equity	(1,360)	2,476	
	Rate change on deferred tax balances	(98)	495	
	Adjustments in respect of prior year - corporation tax	(11)	(92)	
	Adjustments in respect of prior year - deferred tax	-	34	
	Actual tax charge / (credit)	519	(1,165)	
	b) Tax on Other Comprehensive Income			
	Deferred tax			
	Tax credit on pension fund deficit	(1,360)	2,555	
	Effect of rate change on opening balances	-	(13)	
	Adjustment in respect of prior year	-	(70)	
	Total deferred tax on Other Comprehensive Income	(1,360)	2,472	
11	Intangible fixed assets			
		Goodwill £'000	Software £'000	Total £'000
	Cost :			
	At 1 November 2016	2,092	563	2,655
	Additions	-	2	2
	At 31 October 2017	2,092	565	2,657
	Accumulated amortisation :			
	At 1 November 2016	(279)	(142)	(421)
	Charge for the year (classified in administrative expenses)	(209)	(122)	(331)
	At 31 October 2017	(488)	(264)	(752)
	Net book value :			
	At 31 October 2017	1,604	301	1,905
	At 1 November 2016	1,813	421	2,234
	Estimated average remaining useful life	8 years	2-3 years	

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

12 Tangible fixed assets	Leasehold improvements	Plant and machinery	Assets under construction	Total
Cost :	£'000	£'000	£'000	£'000
At 1 November 2016	382	34,777	3,430	38,589
Additions	-	-	4,942	4,942
Transfers	(200)	6,613	(6,413)	-
Disposals	-	(1,925)	-	(1,925)
At 31 October 2017	182	39,465	1,959	41,606
<i>Accumulated depreciation :</i>				
At 1 November 2016	(51)	(7,958)	-	(8,009)
Charge for the year	(38)	(6,411)	-	(6,449)
Transfers	47	(47)	-	-
Eliminated on disposal	-	1,312	-	1,312
At 31 October 2017	(42)	(13,104)	-	(13,146)
<i>Net book value :</i>				
At 31 October 2017	140	26,361	1,959	28,460
At 1 November 2016	331	26,819	3,430	30,580

13 Investment in subsidiary	2017	2016
	£'000	£'000
Cost :		
At 1 November 2016	-	-
Additions	6,200	-
At 31 October 2017	6,200	-

On 25th October 2016 the company incorporated a 100%-owned subsidiary called Clean Tech Europe Ltd, registered number 10445078, with an issued share capital of £100.

On 2nd November 2016 the company purchased selected assets from Evolve Polymers Ltd for £6.2m in cash. This acquisition was financed by Clean Tech Europe Ltd issuing 6,200,000 ordinary shares of £1 each to Plastipak UK Limited.

On 15th November 2016 Clean Tech Europe Limited changed its name to Clean Tech U.K. Limited.

14 Stock	2017	2016
	£'000	£'000
Raw materials	1,947	1,637
Finished goods	11,151	11,457
	13,098	13,094

The cost of stock recognised within cost of sales was £102,263,000 (PY : £102,236,000). An impairment gain of £580,000 (PY : loss of £693,000) was recognised against stock during the year due to slow-moving and aged stock.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

15 Debtors	2017 £'000	2016 £'000
<i>Amounts falling due within one year :</i>		
Trade debtors	23,614	20,243
Amounts owed by group undertakings :		
<i>Trading balances</i>	1,022	850
<i>Derivatives & financial instruments (note 25)</i>	116	2,281
<i>Group cash pooling facility</i>	-	469
Amounts owed by group undertakings	1,138	3,600
Other debtors	2	6,208
Prepayments and accrued income	445	864
Corporation tax recoverable	11	619
Deferred tax (note 19)	2,272	4,162
	27,482	35,696

An impairment gain of £85,000 (PY : loss of £122,000) was recognised in administrative expenses against trade debtors.

16 Creditors : amounts falling due within one year	2017 £'000	2016 £'000
Trade creditors	21,128	21,104
Amounts owed to group undertakings:		
<i>Trading balances</i>	3,310	4,297
<i>Derivatives & financial instruments (note 25)</i>	166	-
<i>Group cash pooling facility</i>	454	-
Amounts owed to group undertakings	3,930	4,297
Other taxation and social security	731	2,054
Other creditors	1,540	724
Accruals and deferred income	4,231	4,117
	31,560	32,296

17 Creditors : amounts falling due after more than one year	2017 £'000	2016 £'000
Trade creditors	-	853
Amounts owed to group undertakings (note 22)	32,446	47,074
	32,446	47,927

18 Provisions for liabilities	2017 £'000	2016 £'000
At 1 November 2016	1,416	1,376
Provision made in the year	40	40
At 31 October 2017	1,456	1,416

The provision relates to a dilapidations liability in respect of the company's obligation to reinstate its premises at the end of the current lease in March 2032. Reasonable estimate has been made for the likely costs of such reinstatement.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

19 Deferred tax asset

	Through profit and loss			Through OCI	TOTAL
	Short term timing differences £'000	Trading losses £'000	Sub-total £'000	Pension fund £'000	
At 1 November 2016	267	1,245	1,512	2,650	4,162
Profit and loss	(381)	(149)	(530)		(530)
Other comprehensive income			-	(1,360)	(1,360)
Movement in the year	(381)	(149)	(530)	(1,360)	(1,890)
At 31 October 2017	(114)	1,096	982	1,290	2,272

The effective tax rate at which it is anticipated that the deferred tax will reverse at has been amended from 18% to a blended rate of 17.63% based on the expected profile of reversals.

20 Commitments under operating leases

	2017 £'000	2016 £'000
<i>The total amount payable over the life of operating leases are as follows :</i>		
Expiring within one year	2,871	2,355
Expiring between two and five years	4,690	4,461
Expiring in over five years	9,609	10,742
	17,170	17,558

21 Called up share capital and reserves

	2017	2016
Ordinary shares of £1 each		
Number	16,288,232	2,688,232
Value	16,288,232	2,688,232

On 27th October 2017 the Company issued 13,600,000 ordinary shares of £1 each at par to its immediate holding company. Simultaneously the company repaid £13,600,000 of the intercompany loan to the immediate holding company.

Called-up share capital represents the nominal value of shares that have been issued.

Profit and loss reserve includes all current year and prior period retained profits and losses.

22 Transactions with related parties

	2017 £'000	2016 £'000
<i>Loan from holding company</i>		
At 1 November 2016	47,074	42,654
Net loan repayments	(9,738)	(6,141)
Effect of exchange rate movements	(4,890)	10,561
At 31 October 2017	32,446	47,074

The loan from Plastipak BAWT S.A.R.L. is unsecured, on arms-length terms and bears interest at a market rate linked to the lender's cost of borrowing and is repayable after more than one year.

Key management personnel

The Directors are the key management personnel as outlined in note 8.

Defined benefit pension scheme

The Company made cash contributions of £3,000,000 (PY : £2,668,000) to the defined benefit pension scheme.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

23 Capital commitments	2017 £'000	2016 £'000
Capital commitments	<u>1,078</u>	<u>1,593</u>
24 Financial assets and liabilities	2017 £'000	2016 £'000
<i>Measured at amortised cost :</i>		
Financial assets (cash, trade and group debtors)	24,790	23,875
Financial liabilities (finance leases, trade & group creditors, accruals and other creditors)	<u>(62,655)</u>	<u>(78,169)</u>
<i>Derivative financial instruments :</i>		
Measured at fair value through profit or loss - asset / (liability)		
Intergroup currency hedging arrangements	<u>(50)</u>	<u>2,281</u>

The derivative financial instruments measured at fair value through profit or loss relate to forward foreign currency contracts. These are valued using valuation techniques that utilise observable inputs, being the forward exchange rates for GBP to EUR.

The Company is committed to buy €16,852,000 (PY : €14,860,000) within the next 12 months and €nil (PY : €nil) in the following 12 months and pay a fixed sterling amount at average forward rates ranging from €1.11 to €1.16 (PY : €1.29 to €1.40).

25 Financial risk management*Foreign exchange transactional currency exposure*

The company is exposed to currency exchange rate risk due to a significant proportion of its purchases being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts as appropriate.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company operates a cash pooling arrangement with its parent company. The company expects to meet its current financial obligations through operating cash flows.

Customer credit risk :

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

26 Final salary pension scheme obligations

The company operates a defined benefit pension scheme being the Plastipak UK Ltd pension scheme. Under the scheme, the employees are entitled to retirement benefits varying between 3% and 66% of final salary on attaining a retirement age of 65. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligations were carried out at 31 October 2017. The present value of the defined benefit obligation were measured using the projected unit credit method.

The company's annual rate of cash contribution to the defined benefit scheme has been agreed with the Trustee of the scheme as £800,000 annually from 1st July 2016. In addition a second lump sum of £2,200,000 has been paid during the year. Since inception the company has made cash contributions to the scheme of £5,768,000.

<i>a) The major assumptions used by the actuary in this valuation were :</i>	2017	2016
Rate of increase in salaries	Nil	Nil
Rate of increase in pensions in payment and deferred pensions	2.15%	2.35%
Discount rate applied to scheme liabilities	2.70%	2.70%
Inflation assumption (RPI)	3.15%	3.35%
Inflation assumption (CPI)	2.15%	2.35%
Life expectancy (years)	90.4	92.7
Pre 2005 pension Increase	3.15%	3.15%
Post 2005 pension Increase	<u>2.15%</u>	<u>2.15%</u>

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

b) Scheme assets and liabilities recognised in the balance sheet

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long years and thus inherently uncertain, were as follows :

	<i>Sub-note</i>	2017 £'000	2016 £'000
Fair value of plan assets	27d)	41,952	39,336
Present value of funded obligations	27e)	<u>(46,324)</u>	<u>(54,371)</u>
Net liability	27c)	(4,372)	(15,035)
Deferred tax asset (note 19)		<u>1,290</u>	<u>2,650</u>
Net pension deficit		<u>(3,082)</u>	<u>(12,385)</u>

c) Movement in deficit during the year / period

At 1 November 2016	(15,035)	(3,501)
Employer contributions paid	3,000	2,668
Other finance cost	(336)	(107)
Changes in the assumptions underlying the pension scheme liabilities	7,564	(14,616)
Actuarial gain	<u>435</u>	<u>521</u>
At 31 October 2017	<u>(4,372)</u>	<u>(15,035)</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2017 (continued)

26 Final salary pension scheme obligations (continued)		2017	2016
		£'000	£'000
<i>d) Change in the value of scheme assets</i>			
At 1 November 2016		39,336	35,512
Actuarial gain / (loss)		435	521
Interest income on scheme assets		1,106	1,437
Employer cash contributions		3,000	2,668
Benefits and expenses payable		(1,925)	(802)
At 31 October 2017		41,952	39,336
Comprising :			
Equities		24,176	20,039
Government & corporate bonds		17,620	16,911
Cash		156	2,386
At 31 October 2017		41,952	39,336
<i>e) Changes in the present value of the defined benefit obligation</i>			
At 1 November 2016		(54,371)	(39,013)
Interest on pension scheme liabilities		(1,442)	(1,544)
Changes in the assumptions underlying the pension scheme liabilities		7,564	(14,616)
Benefits and expenses payable		1,925	802
At 31 October 2017		(46,324)	(54,371)
<i>f) Analysis of amounts included in other finance income/costs</i>			
Interest income on scheme assets		1,106	1,437
Interest cost on pension liabilities		(1,442)	(1,544)
Net interest		(336)	(107)
<i>g) Amounts recognised in calculating operating profit</i>			
There is no current service cost to the scheme as it is closed to new members.			
<i>h) History of experience gains and losses :</i>			
Difference between expected return and actual return on scheme assets		435	521
Changes in assumptions underlying the present value of the scheme liabilities		7,564	(14,616)
Total amount recognised in other comprehensive income		7,999	(14,095)
<i>i) % of scheme assets :</i>		%	%
Difference between expected return and actual return on scheme assets		1.04%	1.32%
Changes in assumptions underlying the present value of the scheme liabilities		(16.33%)	26.88%

27 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Plastipak Holdings Inc. which is incorporated in the USA. This company is the largest undertaking for which group financial statements are prepared but there is no requirement in that jurisdiction to make these publically available.

The parent undertaking of the smallest group which includes the company for which group accounts are prepared is Plastipak Luxembourg Sarl which is incorporated in Luxembourg.

The immediate parent undertaking is Plastipak BAWT Sarl which is incorporated in Luxembourg.