

Verallia UK Limited
Annual Report and Financial Statements
For The Period Ended 31 December 2023



VERALLIA UK LIMITED

COMPANY INFORMATION

Directors	Mr J M Culley Mr N Jarry Mr A Guilloteau Mr M J Hogley Mr J S Naughton
Company number	03846688
Registered office	69 South Accommodation Road Leeds LS10 1NQ
Independent auditors	CLA Evelyn Partners Limited 103 Colmore Row Birmingham B3 3AG
Bankers	Bank of Scotland 300 Lawnmarket Edinburgh EH1 2PH HSBC UK 33 Park Row Leeds LS1 1LD

VERALLIA UK LIMITED

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VERALLIA UK LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2023

The directors present their strategic report and the audited financial statements for the period ended 31 December 2023. The prior period was the 48 weeks to 7 November 2022. It was shortened in anticipation of the sale of the Group. The current period has been extended to 31 December 2023 and is therefore 60 weeks. This is to align with the new ultimate parent company. The two periods presented will therefore not be directly comparable.

This strategic report refers to the Verallia Group of which the company is the primary trading entity. During the period, the previous parent company, Tonic Topco Limited and its subsidiaries, including the Company, were purchased by Verallia Holding UK Limited, a subsidiary of Verallia SA, a company incorporated and registered in France.

Following a group restructuring, Verallia Holding UK Limited is now the immediate parent undertaking of this Company. The ultimate holding company is Verallia SA, which is incorporated and registered in France. This is the smallest and largest group to consolidate this entity and its subsidiaries.

Review of business and future developments

Integrating Allied Glass into an international group, one of the main world leaders in glass manufacturing for food and beverage, has been a thrilling challenge. Based on their respective strengths, the two companies have benefitted from strong synergies. Whilst our customers in the UK market have continued to benefit from the same level of quality of service locally, Verallia UK has further improved its market offering through the support and knowledge of the wider Verallia group.

This acquisition of Allied Glass is fully in line with Verallia's strategy which is to accelerate investments in key markets while leveraging its industrial, technological and management expertise to generate synergies. Directors are convinced that Verallia and Allied Glass have had an outstanding fit as both companies share common vision and values. This has been a great milestone too, as the Group will be present on the UK market, management is confident that this combination has already delivered and will create further sustainable value for customers, employees and shareholders.

The company maintained its core focus upon the Premium Spirit sector and in 2023 continued to make capital investments to support strategic development in relation to premium brands. A total of £21.9m of capital expenditures was incurred, with a focus on output, quality and industrial risk reduction. The majority of increase in tangible asset related to deposits on plant and equipment at our Leeds site for the next stage of redevelopment.

Revenue has grown significantly by 39% as reported and by 19% on a pro forma basis (like for like 48 weeks period) versus prior period, exceeding the £200m mark. This growth has been made possible by customer demand and increased production capacity and higher overall equipment effectiveness. Profit for the period, in percentage of the revenue, slightly increased to 13.2%, with reduction in finance costs and taxes offsetting a slight reduction in operating profit percentage (16.0% versus 16.9% in the previous period). This result, together with a focus on working capital requirements' management, allowed to fund the capital expenditures required for securing future business growth.

The Leeds fire claim has been finalized on 15 November 2023 and all costs incurred have been reimbursed by our insurance partners.

The business remains well placed to face shifting conditions on the marketplace. The flexibility of the installed production capacities, the ability to cooperate with other entities from Verallia, and the opportunity to fully deploy the Verallia Industrial Model, driving production cost reduction through waste reduction, will enable the company to resist deteriorating economic conditions and a more competitive environment.

VERALLIA UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Key performance indicators

	31 December 2023		
	Actual	Target	
Net working capital as a % of last 3 months sales	13.2%	13.0%	Less than target means it is exceeded
Gross Margin %	20.3%	20.0%	Greater than target means it is exceeded
Accident frequency with and without lost time (TF2)	7.0	0	

These are considered by the directors as being fundamental measures in assessing the business' financial, commercial and operational performances.

Principal risks and uncertainties facing the Group

The key area of uncertainty for the Group is how well it adapts to ever changing circumstances and challenges presented by economic, political and technological influences. This includes interest rate and currency fluctuations, credit, liquidity and other financial risks sensitive to pricing decisions and competitive pressure. The Group attempts to manage these risks by using a variety of measures and policies governed by the directors and Group instructions. Our long-standing relationships with customers combined with our ongoing commitment to quality and service, supplemented by our new product development expertise enables the mitigation of competition risk. The use of appropriate external advice and development of appropriate strategies to counter any threats posed are undertaken. The gradual implementation of the Verallia internal control organization and procedures is contributing to further risk reduction.

Geopolitical Situation & Energy Markets

The directors have continued to implement a prudent hedging policy in line with Verallia Group's strategy, that has offered some protection against the cost volatility and has levelled market bursts. This policy, which is made public by Verallia, encompasses energy, CO2 allowances, exchange rates and interest rates. In addition, the company is relying on long-time partnership with its strategic suppliers and has implemented risk mitigation action related to the supply chain.

Statement of directors' duties in accordance with s172 of the Companies Act 2006

General matters

The executive team is comprised of 5 full time Board directors and other senior leaders who bring a diverse range of key experience and skillsets. The directors consider the combined team's breadth of experience and knowledge to be strong enough to be able to discharge collective obligations thoroughly.

We retain a strong focus on the longer term impact of our decisions, which are typically strategic in nature. This is highlighted by our sustained commitment to develop our operational footprint to ensure that our factories are fit for the future, with a critical focus on environmental sustainability considerations. We maintain our position at the forefront of glass manufacturing capability to drive a strong position in the marketplace, combined with investment in our design capability in order to create and deliver the best products and services.

VERALLIA UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

General matters (continued)

The directors and the executive team as a whole hold regular meetings, as well as meeting frequently with heads of department and the wider management. Any operational and strategic decisions are debated on a democratic basis to ensure management have input as to the optimal way to execute strategy. The directors believe that this process spreads risk and ensures that decisions made are fair and balanced in the context of all business and stakeholder priorities. Any decisions taken in accordance with the Companies Act 2006 are voted on as described in our Memorandum and Articles of Association.

The directors consider that all key decisions taken during the period have been made with the best interests of the stakeholders of the business.

Employee involvement matters

Verallia UK integrated its internal communications with the Verallia group through regular interactions between the communications teams. Our employee engagement programme and "AWARE" mental wellbeing framework across the workforce have been applied through a number of communication channels. These initiatives were again well received. We run assessments of our current position as a business on these elements and build them into our Strategic plans by focusing on the specific areas as identified.

The Group continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the Group's trading position and of any significant organisational changes and investment plans.

Employee involvement in the Group is encouraged, and now as part of an enlarged group is only enhanced, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a leading role in maintaining its vibrancy. The Group encourages the involvement of employees through a number of channels including committees such as pension governance and sports & social.

It is the policy of the Group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group, as well as through training, promotion and career development. During the period Verallia UK signed up to the UK government Disability Confident scheme, designed to help recruit, retain and develop disabled people who will help our business to succeed.

Customers and suppliers

Customers interact with the Group in many different ways and we continue to adapt our resource and structure accordingly. We set out to build strong strategic partnerships with our customers with the aim of being their supplier of choice and offer a range of products and services as a package to meet all our customers' needs. Our customer satisfaction programme continues to provide a structure to deepen our understanding of customer perceptions. Outputs from our surveys remain positive, with areas identified for action plans to be developed to ensure best practice is delivered across all client accounts.

The Group also places significant emphasis on the ongoing relationships with its suppliers, which are critical for our supply chain security. We identify key strategic suppliers and hold regular review meetings covering the Group's strategic plans and how they can provide support moving forward, particularly where new initiatives and technologies are involved, including for example the provision of renewable energy covering 100% of our electricity supply. Collaborating closely with suppliers in this way helps to enhance strong long term relationships to ensure that an effective and fair balance is achieved.

VERALLIA UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Environmental

The Group continues to maintain registration to the International Environmental Standard ISO 14001. In addition, during the period the Group successfully retained accreditation to the Eco Vadis sustainability standard at the Gold level

The necessary permits to operate the manufacturing sites under the Environmental Permitting regulations remain in place and the Group continues to invest capital in plant and machinery, both to ensure continuation of the permits and to achieve continual improvement in environmental performance. Completion of the Focussed Factory capital expenditure delivered significant reductions in energy consumption and emissions. Incorporating electric boost technology into our furnaces allows the business to switch a proportion of its energy used for glass melting from fossil fuel to renewable electricity. Environmental impact remains a key criteria in our investment appraisal decision making.

The Group monitored and reported greenhouse emissions under the UKETS (United Kingdom Emissions Trading System). Emissions are independently verified annually and the Group was fully compliant with all aspects of the regulations. Carbon emissions per tonne of glass pleasingly reduced compared to the previous period due to the efficiency improvements driven by the Focussed Factory project. The Group continues to target significant reductions by 2025 as part of its sustainability programme, details of which are publicly available.

The Group's registration as a re-processor of recycled glass has been maintained throughout the period.

Section 172(1) statement

The directors of the Company consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to Section 172 (a)-(f) of the Companies Act 2006.

On behalf of the board



A Guilloteau

Director

26 March 2024

VERALLIA UK LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2023

The directors present their annual report and the audited financial statements for the period ended 31 December 2023. The prior period was 48 weeks to 7 November 2022. It was shortened in anticipation of the sale of the Group. The current period has been extended to 31 December 2023 and is therefore 60 weeks. This is to align with the new ultimate parent company. The two periods presented will therefore not be directly comparable.

Principal activities

The principal activity of the company continued to be the manufacturing of glass containers.

Results and dividends

The results for the period are set out on page 14.

Ordinary interim dividends of £466,754 (2022: £106,315,890) were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr J M Culley	
Mr N Jarry	(Appointed 15 June 2023)
Mr A S Henderson	(Resigned 29 February 2024)
Mr M J Hogley	
Mr N A Maskrey	(Resigned 15 June 2023)
Mr J S Naughton	
Mr R Summers	(Resigned 31 December 2022)
Mr A Guilloteau	(Appointed 1 March 2024)

The future developments of the company are included within the strategic report.

Financial risk management

The Group's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations. Each of these are managed and maintained at levels deemed appropriate by the directors in order to mitigate the risks identified.

Foreign currency risk

The Group is exposed in its trading operations to the risk changes in foreign currency exchange rates. As the Group both buys and sells goods with Europe the Euro is the main foreign currency. The risk of exchange rate fluctuations is hedged using currency forward contracts entered into regularly throughout the year and particularly ahead of large transactions.

Credit risk

The Group's financial assets are bank balances, cash and trade debtors and represent the Group's total exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade debtors, which are covered by an appropriate level of credit insurance.

VERALLIA UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Liquidity risk

The Group's policy is to ensure there are appropriate levels of funding through various facilities including medium term bank loans, shareholder loan notes, the acquisition of an element of the Group's fixed assets under finance leases and working capital facilities to manage its day to day funding requirements.

Gas, electricity and carbon price risk

The Group has exposure to the movement in energy and carbon prices, which is maintained by entering into contracts with its suppliers that allow the Group to buy energy and carbon volumes forward at an agreed price.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate. Interest arising on the bank overdraft is at market rate. The company's policy is to maintain the majority of other borrowings at fixed rates to fix the amount of future interest cash flows. In some instances variable rates are fixed by the use of financial interest rate swaps. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company.

Carbon reporting requirements

	Period ended 31 December 2023	Period ended 7 November 2022
Energy consumption used to calculate emissions: /kWh	598,371,334	478,882,637
Breakdown of above total energy by source		
Electricity	73,045,137	60,149,760
Gas	520,456,175	301,516,527
Transport	4,870,022	3,883,296
Other	-	113,333,053
Emissions from combustion of gas (Scope 1) / tCO ₂ e	95,211.03	84,149.37
Emissions from combustion of fuel for transport purposes (Scope 1) / tCO ₂ e	1,220.80	983.57
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) / tCO ₂ e	25.03	11.35
Emissions from purchased electricity (Scope 2, location-based) / tCO ₂ e	15,125.75	11,631.76
Total gross CO ₂ e based on above (location-based) / tCO ₂ e	111,582.62	96,776.05
Intensity ratio: tCO ₂ e (gross) per £1,000 turnover	0.568	0.666
Emissions from purchased electricity (Scope 2, market-based) / tCO ₂ e	-	-
Total gross CO ₂ e based on above (market-based) / tCO ₂ e	96,456.87	85,144.29
Intensity ratio: tCO ₂ e (gross, market-based) per £1,000 turnover	0.491	0.586
tCO ₂ /day	248.60	252.65

VERALLIA UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines.

We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

It is important to note that the reporting period of 2022-23 covers 418 days, 8th November 2022 to 31st December 2023. 2021-22 covers the time period 5th December 2021 to 7th November 2022, only 337 days.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in tonnes of CO₂e per £1,000 turnover.

Energy efficiency action taken:

As part of the Verallia Group we are committed to reducing our CO₂ levels to help the group achieve a 46% CO₂ reduction spanning the time period of 2019 to 2030.

In the period covered by the report the company has undertaken the following energy saving programmes:

At the end of 2023 we will be rebuilding a furnace at Leeds and look to introduce a more efficient furnace which will use electric boost. 2023 included the full year impact of the introduction of a new furnace and infrastructure supporting the second furnace which was completed in 2022. This enabled ourselves to run a more energy efficient furnace as well as machinery.

We have continued to increase the amount of oxygen and electricity boost which in turn has reduced the reliance on gas within the furnace. All purchased electricity was from 100% REGO backed Hydro-electricity renewable sources. We are in partnership with Drax to source from the Dumfries and Galloway hydro facility.

A programme of continual improvement of furnace efficiency by adjusting and optimising combustion settings and increasing recycled content in the raw materials entering the furnace. The programme entails weekly review of gas and electricity usage, furnace operations and adjustment to improve performance.

The majority of sales representatives have now transitioned to electric vehicles and we have started a programme transfer our forklift truck fleet to electric where possible.

Employee involvement

Commentary in relation to the involvement of employees is provided in the Strategic Report on page 3.

Change of auditor

Following the acquisition of Tonic Topco Limited and its subsidiaries, including the Company, by Verallia Holding UK Limited, Grant Thornton UK LLP resigned as the Company's auditor after completing their statutory audits for the financial period ended 7 November 2022, in order to align the auditors with the group. CLA Evelyn Partners Limited has been appointed as the auditors of the Company for the financial period ended 31 December 2023.

VERALLIA UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Statement of disclosure to auditors

The directors confirm that:

- so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Group and the company's auditors are unaware; and
- the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Group and the company's auditors are aware of that information.

Approval

The Directors' report was approved by the board on 26 March 2024 and signed on its behalf by:



A Guilloteau
Director

VERALLIA UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2023

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 'Reduced Disclosure Framework'). 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 and 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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.

VERALLIA UK LIMITED

INDEPENDENT AUDITORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2023

Independent auditor's report to the members of Verallia UK Limited

Opinion

We have audited the financial statements of Verallia UK Limited (the 'company') for the period from 8 November 2022 to 31 December 2023, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (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 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

VERALLIA UK LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2023

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 period 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.

Matters on which we are required to report by exception

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.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the Company's legal and regulatory frameworks, through enquiry of management concerning their understanding of relevant laws and regulations, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. We also drew on our existing understanding of the Company's industry and regulation.

VERALLIA UK LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Auditor's responsibilities for the audit of the financial statements (continued)

We understand that the Company complies with the framework through:

- Outsourcing tax compliance to external experts.
- Subscribing to relevant updates from external experts and making changes to internal procedures and controls as necessary.
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements; which are central to the Company's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and UK GAAP in respect of the preparation and presentation of the financial statements.
- UK direct and indirect taxation laws.
- Environmental legislation and regulations in respect of carbon emission tariffs and levies
- Health and Safety at Work Act 1974 and other health and safety legislation/regulation
- Food Safety and Hygiene regulations

The procedures carried out to gain evidence in the above areas included:

- Making enquiries of management and reviewing available board meeting minutes; and
- Obtaining written management representations that they disclosed to us all known instances of non-compliance or suspected non-compliance with laws and regulations and accounted for and disclosed all known actual or possible litigation and claims in the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- The risk that management may be incentivised to overstate revenue, particularly in relation to year end cut off; and
- Manipulation of the financial statements to increase revenue and/or profits via fraudulent journal or erroneous entries.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of revenue transactions close to the year end to underlying documentation to ensure revenue has been recorded in the correct period; and
- Testing of manual journal entries, selected based on specific risk characteristics, including those increasing revenue posted to unusual accounts.

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

VERALLIA UK LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

Use of our report

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.

Stephen Drew

Stephen Drew (Mar 26, 2024 17:49 GMT)

Stephen Drew

Senior Statutory Auditor, for and on behalf of

CLA Evelyn Partners Limited

103 Colmore Row

Birmingham

B3 3AG

26/03/2024

VERALLIA UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2023

		Period ended 31 December 2023 £'000	Period ended 7 November 2022 £'000
	Note		
Revenue	3	202,432	145,345
Cost of sales		<u>(161,444)</u>	<u>(106,142)</u>
Gross profit		40,988	39,203
Distribution costs		(17,996)	(17,774)
Administrative expenses		(7,196)	(3,822)
Other operating income	3	<u>15,998</u>	<u>6,887</u>
Operating profit	4	31,794	24,494
Finance income	8	79	135
Finance costs	9	(1,216)	(2,164)
Other gains and losses	10	<u>12</u>	<u>(81)</u>
Profit before taxation		30,669	22,384
Tax on profit	11	<u>(7,205)</u>	<u>(4,825)</u>
Profit and total comprehensive income for the period		<u>23,464</u>	<u>17,559</u>

The above results all relate to continuing operations.

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

VERALLIA UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		31 December 2023 £'000	7 November 2022 £'000
	Notes		
Non-current assets			
Intangible assets	12	851	851
Property, plant and equipment	13	81,381	69,685
Investments	14	904	904
		<u>83,136</u>	<u>71,440</u>
Current assets			
Inventories	16	38,273	28,249
Trade and other receivables	17	33,893	32,836
Current tax recoverable		4,407	777
Cash and cash equivalents		<u>18,711</u>	<u>7,300</u>
		<u>95,284</u>	<u>69,162</u>
Current liabilities			
Borrowings	18	-	31,527
Trade and other payables	19	91,702	44,431
Taxation and social security		1,671	5,709
Derivative financial instruments		-	12
Lease liabilities	20	<u>2,201</u>	<u>1,924</u>
		<u>95,574</u>	<u>83,603</u>
Net current assets / (liabilities)		<u>(290)</u>	<u>(14,441)</u>
Total assets less current liabilities		<u>82,846</u>	<u>56,999</u>
Non-current liabilities			
Lease liabilities	20	6,537	7,638
Deferred tax liabilities	21	<u>13,627</u>	<u>9,735</u>
		<u>20,164</u>	<u>17,373</u>
Net assets		<u>62,682</u>	<u>39,626</u>
Equity			
Called up share capital	23	-	-
Share premium account	24	-	-
Retained earnings		<u>62,682</u>	<u>39,626</u>
Total equity		<u>62,682</u>	<u>39,626</u>

VERALLIA UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

The notes on pages 18 to 37 form an integral part of these financial statements.

The financial statements on pages 14 to 37 were approved by the board of directors and authorised for issue on 26 March 2024 and are signed on its behalf by:



A Guilloteau
Director

Company Registration No. 03846688

VERALLIA UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2023

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 4 December 2021	-	37,126	54,630	91,756
Period ended 7 November 2022:				
Issue of share capital	-	36,627	-	36,627
Profit and total comprehensive income for the period	-	-	17,559	17,559
Dividends paid	-	-	(106,316)	(106,316)
Capital reduction	-	(73,753)	73,753	-
Balance at 7 November 2022	-	-	39,626	39,626
Period ended 31 December 2023:				
Profit and total comprehensive income for the period	-	-	23,464	23,464
Dividends paid	-	-	(467)	(467)
Share based payments	-	-	59	59
Balance at 31 December 2023	-	-	62,682	62,682

The notes on pages 18 to 37 form an integral part of these financial statements.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies

Company information

Verallia UK Limited is a private company limited by shares incorporated in the United Kingdom. The registered office is 69 South Accommodation Road, Leeds, LS10 1NQ.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. These policies have been consistently applied to all periods presented.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost basis, except for derivatives which are carried at their fair value. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- (a) the requirements of IFRS 7 'Financial Instruments: Disclosure';
- (b) the requirements within IAS 1 relating to the presentation of certain comparative information;
- (c) the requirements of IAS 7 'Statement of Cash Flows' to present a statement of cash flows;
- (d) paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but it not yet effective); and
- (e) the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions and balances between two or more members of a group.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

The current period is the 60 weeks ended 31 December 2023. The prior period was the 48 weeks ended 7 November 2022. The periods have been headed 2023 and 2022 in the notes.

1.2 Going Concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for a period of greater than twelve months.

During the period, Tonic Topco Limited and its subsidiaries, including the Company, were purchased by Verallia Holding UK Limited, a subsidiary of Verallia SA, a company incorporated and registered in France. As part of the group restructuring plan all external debt has been repaid in full and the business is now self-funded. There is an intercompany loan in place with Verallia Holding UK Limited who have confirmed that the debt will not need to be repaid unless the company has sufficient funds to do so.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.2 Going Concern

The directors have prepared cashflow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources, these forecasts take in to account reasonably possible changes in trading financial performance. The company's policies for financial risk management are detailed in the Directors report at the front of these financial statements.

Further to this management prepared a severe scenario, reducing revenues from budget whilst maintaining costs and including a more pessimistic view of working capital because of this. There was still ample headroom under this scenario. The revenue and cashflow assumptions required to eliminate any headroom are considered by the directors to be highly unlikely, particularly given trading to date.

Based upon this analysis, the directors have concluded that the company has adequate working capital resources and that it is appropriate to use the going concern basis for the preparation of the financial statements.

1.3 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the company's activities. Revenue is shown net of value added tax, rebates, discounts and after eliminating sales within the company.

Under normal circumstances, revenue from product sales is recognised upon delivery to the customer or in the case of goods supplied ex-works, generally upon when the goods are made available for collection by the customer or their agent.

The Company enters into bill-and-hold arrangements with some of its customers whereby the company retains physical possession of the product until it is transferred to the customer at a point in time in the future. In such arrangements, the Company establishes the point in time in which the performance obligation is transferred across to the customer. As the Company are not able to direct the use of such products nor sell them to an alternative customer, this is generally considered to be at the point in which the product is ready to be distributed.

1.4 Segmental Reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risk and returns that are different from those of other business segments. The company manages all its operations as a single business unit, reflecting the locality and interchangeable production capabilities of its operations with the Yorkshire region.

1.5 Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable and separately recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.5 Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	50 years straight line
Plant and machinery	12 years straight line
Motor vehicles (disclosed within plant and machinery)	5 years straight line
Right of use assets	Over the life of the lease
Mould equipment (disclosed within plant and machinery)	4 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the Statement of Comprehensive Income.

Assets under construction are not depreciated until brought into use.

1.7 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.8 Impairment of tangible and intangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value after making due provision against obsolete and slow moving items. Cost is determined on a first in first out basis, and in the case of manufactured goods the term 'cost' includes raw materials, production wages and production overheads based on normal production activity levels at the balance sheet date. Net realisable value is the estimated selling price in the ordinary course of business and takes into account all estimated costs to completion and all costs to be incurred in marketing, selling and distribution directly related to the items in question. Provision is made for aged stock, stock wastage and quarantined stock.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.11 Financial assets (continued)

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss and is included within finance income or finance costs in the statement of comprehensive income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Estimated credit losses are recognised under the simplified model under IFRS 9 which permits lifetime losses to be recognised.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.12 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.12 Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

1. it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
2. on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
3. it is a derivative that is not a financial guarantee contract or a designated and effective hedging

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.14 Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Share-based payments

There is a transfer pricing agreement in place between group companies. Whilst the entity that receives the employment service recognises the share-based payment expense, such considerations are recognised within the intercompany loan account to reflect that the consideration is due to the ultimate parent company.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Leases

Under IFRS 16, leases are accounted for on the right of use model. At inception, the company assesses whether a contract contains a lease. This assessment involved the exercise of judgement about whether the company obtains substantially all the economic benefits from the use of that asset, and whether the company has the right to direct the use of the asset.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.18 Leases (continued)

IFRS 16 permits lessees to elect not to apply the recognition requirements to short term leases and leases for which the underlying asset is of low value. The company has elected not to recognise short term leases of less than one year at inception and low value leases which will continue to be reflected in the Statement of Comprehensive Income. This will be the ongoing policy adopted by the company. There are no right of use assets or lease liabilities recognised for these leases, and the expense is recognised in the Statement of Comprehensive Income on a straight line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and are presented within property, plant and equipment.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the company's existing impairment accounting policy.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Statement of Comprehensive Income for the period.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end 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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.20 Carbon emissions allowances

The company has energy activities that are subject to the United Kingdom Emissions Trading System (UKETS) and is allocated carbon emissions allowances by the UK government. The Company is registered and compliant with the UKETS.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

1 Accounting policies (continued)

1.20 Carbon emissions allowances (continued)

Where actual carbon emissions in the period are less than the allowances received (adjusted for allowances traded in the period), the unused allowances are recognised on the balance sheet at the lower of their original market value at the date of grant and their value at the balance sheet date and income to that value is recognised as government grants received. Where actual carbon emissions exceed the granted allowances in the period (adjusted for allowances traded in the period), a liability is recognised based on the fair value at the balance sheet date of the additional allowances required and is shown in the profit and loss account as an emissions expense. Sales during the period of allowances are recorded in the financial statements as carbon emissions traded.

1.21 Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

1.22 Other operating income

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

2 Critical accounting estimates and judgements (continued)

Estimated impairment of goodwill

The company tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, see note 12.

Net realisable value of inventory

The company calculates the finished goods glass valuation by applying a rolling average cost per goodware tonne to the inventory goodware tonnage. The time period for the production costs within the calculation is based upon the number of production periods required to produce the stock levels as at the date of the Statement of Financial Position.

The added value elements of the finished goods stock are valued at cost where known, or by applying a rolling average monthly margin to the sales value. The time period is determined by the number of periods of production required to cover the stock level. There is an assumption that any stock that is present at the date of the Statement of Financial Position would have been produced in that time period. The stock valuations are then further adjusted by provisions for aged stock, stock wastage and quarantine stock to give the inventory cost. A degree of estimation is required in preparing these provisions and estimates.

3 Revenue

	2023 £'000	2022 £'000
Revenue analysed by class of business		
All revenue is derived from the same class of business being sale of goods	202,432	145,345
Other operating income		
Income relating to insurance claim	7,435	1,915
Rental income from fellow subsidiary	8,563	4,972
	15,998	6,887
Revenue analysed by geographical market		
UK	184,089	130,525
Rest of Europe	17,510	13,421
Rest of the World	833	1,399
	202,432	145,345

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

4 Operating profit

	2023	2022
	£'000	£'000
Operating profit for the period is stated after charging / (crediting):		
Depreciation of property, plant and equipment:		
Owned	9,214	5,648
Held under IFRS 16 leases	2,558	1,756
Cost of inventories recognised as an expense	8,987	11,141
Cost of inventories written off as an expense	5,593	4,513
Costs incurred relating to insurance claim	4,101	1,915

5 Auditors' remuneration

	2023	2022
	£'000	£'000
Services provided to the company and its subsidiaries:		
For audit services		
Audit of the financial statements	126	42

No fees paid to the company's auditor, CLA Evelyn Partners Limited, other than the statutory audit of the company. Fees paid in the prior period were paid to the previous auditors, Grant Thornton LLP.

6 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2023	2022
	Number	Number
Production	337	333
Sales and distribution	29	29
Administration	57	60
	423	422

There average remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	18,895	14,199
Social security costs	1,922	1,567
Other pension costs	1,711	1,271
	22,528	17,037

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

7 Directors' remuneration

The directors received remuneration from fellow group companies during the period and in the previous period and it is not practicable to ascertain the proportion of the director's emoluments that specifically relate to this company. Their remuneration is therefore disclosed in that company's financial statements.

	2023	2022
	£'000	£'000
Remuneration for qualifying services	1,052	901
Company pension contributions to defined contribution schemes	59	57
	<u>1,111</u>	<u>958</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6.

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023	2022
	£'000	£'000
Remuneration for qualifying services	279	192
Company pension contributions to defined contribution schemes	19	14
	<u>298</u>	<u>206</u>

The above remuneration was accounted for and paid by a separate group entity.

8 Finance Income

	2023	2022
	£'000	£'000
Interest income	79	6
Bank interest receivable	-	129
Other non-cash finance income – foreign exchange gain	<u>79</u>	<u>135</u>

9 Finance costs

	2023	2022
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest payable on bank working capital loans	313	1,610
Other similar charges payable	10	120
Other non-cash finance charges – foreign exchange loss	<u>359</u>	<u>-</u>
	682	1,730
Interest on other financial liabilities:		
Interest on lease liabilities	534	434
	<u>1,216</u>	<u>2,164</u>

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

10 Other gains and losses

	2023	2022
	£'000	£'000
Fair value gains / (losses) on foreign currency forward contracts	12	(81)

11 Tax on profit

	2023	2022
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	3,160	57
Adjustments in respect on prior periods	152	(182)
Total UK current tax	3,312	(125)
Deferred tax		
Origination and reversal of temporary differences	3,815	3,249
Changes in tax rates	341	1,026
Adjustments in respect of prior periods	(263)	675
	3,893	4,950
Total tax charge	7,205	4,825

The charge for the period can be reconciled to the profit per the Statement of Comprehensive Income

	2023	2022
	£'000	£'000
Profit before taxation	30,669	22,384
Expected tax charge based on a corporation tax rate of 22.95% (2022: 19.00%)	7,039	4,253
Effect of expenses not deductible in determining taxable profit	30	118
Adjustments in respect of prior periods	(111)	495
Effect of super deduction	(94)	(1,067)
Effect of change in UK corporation tax rate	341	1,026
Taxation charge for the period	7,205	4,825

The UK corporation tax rate was 22.95% (2022: 19%) throughout the period.

The UK corporation tax rate was increased to 25% from April 2023, so Company's tax charge is the average rate over the period. Deferred tax balances at the reporting date are measured at 25% (2022: 25%).

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

12	Intangible assets	Goodwill
		£'000
	Cost or valuation and carrying amount	
	At 7 November 2022 and 31 December 2023	<u>851</u>

The goodwill was generated on 16 September 2000 from the purchase of the trade and assets of Gregg & Company (Knottingley) Limited and Lax & Shaw Limited.

Goodwill is considered impaired to the extent that its carrying amount exceeds its recoverable amount, which is the higher of the value in use and the fair value less costs to sell the cash-generating unit ("CGU") to which it is allocated. In all impairment tests of goodwill performed in 2023, the recoverable amount was determined by value in use calculations.

The company bases the value in use calculations on cash flow forecasts derived from the most recent financial plans approved by the Board, in which the principal assumptions were regarding growth rates and changes in costs.

Cash flows for beyond three years for the company's single CGU were calculated using a 2.0% (2022: 2.0%) per annum growth rate.

The company applied discount rates to the resulting cash flow projections that reflect current market assessments of the time value of money and the risks specific to the CGU. In each case the discount rate was determined using a capital asset pricing model - pre-tax discount rates used during the period were in the range of 8% - 10%.

The key sensitivities in assessing the value in use of goodwill are forecast cashflows and the discount rate applied as follows:

- A 1% reduction in growth rates would have no impact on carrying values; and
- A 2% increase to the discount rate applied would have no impact on carrying values.

No impairment of goodwill was required for the company's single CGU in the period ended 31 December 2023.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

13 Property, plant and equipment

	Freehold buildings	Assets under construction	Plant and machinery	Right of use assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 7 November 2022	16,886	670	125,790	13,839	157,185
Additions	70	16,952	4,832	682	22,536
Modifications	-	-	-	1,017	1,017
Disposals	-	-	(14,367)	(131)	(14,498)
Transfers	-	(227)	227	-	-
At 31 December 2023	16,956	17,395	116,482	15,407	166,240
Accumulated depreciation and impairment					
At 7 November 2022	6,192	-	76,504	4,804	87,500
Charge for the period	399	-	8,815	2558	11,772
Disposals	-	-	(14,321)	(92)	(14,413)
Transfers	(102)	-	102	-	-
At 31 December 2023	6,489	-	71,100	7,270	84,859
Carrying amount					
At 31 December 2023	10,467	17,395	45,382	8,137	81,381
At 7 November 2022	10,694	670	49,286	9,035	69,685

Included within Freehold buildings is freehold land of £177k (2022: £177k) that is not depreciated

In previous period, included in plant and machinery are assets under a finance lease arrangement, which had a net book value of 2022: £602k. At the start of the current period these assets became fully owned by the Company.

Included within right of use assets are land and buildings with a net book value of £6,628k (2022: £7,332k) and plant and machinery with a net book value of £1,560k (2022: £1,703k).

14 Investments

	Non-current	
	2023	2022
	£'000	£'000
Investment in subsidiaries	904	904

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

14 Investments (continued)

Movement in non-current investments	Shares in Group Undertakings £'000
Cost and carrying amount	
At 7 November 2022 and 31 December 2023	<u>904</u>

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held	
			Direct	Indirect
Alux Glass Limited	Dormant	Ordinary	50.00	-
Lax & Shaw Limited	Glassware	Ordinary	100.00	-
Gregg & Company (Knottingley) Limited	Dormant	Ordinary	100.00	-

The registered office of subsidiary undertakings is 69 South Accommodation Road, Leeds, LS10 1NQ.

16 Inventories

	2023	2022
	£'000	£'000
Raw materials	9,895	8,556
Finished goods	28,378	19,693
	<u>38,273</u>	<u>28,249</u>

Inventories are stated after provisions for impairment of £2,127k (2022: £625k).

17 Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	17,085	27,757
Expected credit losses	(130)	(14)
	<u>16,955</u>	<u>27,743</u>
Other receivables	1,326	3,196
Amounts owed by fellow Group undertakings	11,256	650
Prepayments and accrued income	4,356	1,247
	<u>33,893</u>	<u>32,836</u>

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

17 Trade and other receivables (continued)

Trade receivables at the reporting date are shown net of provisions. Expected credit losses for the following 12 months have been estimated in accordance with IFRS 9, taking into account that there has been no significant increase in credit risk. Given the straightforward nature of the company's receivables, the directors consider that the company qualifies for Stage 1 impairment models which permits the simplified recognition of credit losses arising from default events that are possible within the next 12 months only.

Other receivables in the prior period included a balance of £1.5m in respect of an insurance claim. This was settled in the period.

Amounts owed by fellow Group undertakings of £11,256k represent balances related to cash pooling accounts. This is held with the purpose to send amounts to a company within the Group (Verallia Packaging) where it is held and attracts interest. Verallia UK Limited has constant access to the funds held in this account and may withdraw with a short notice.

18 Borrowings

	2023	2022
	£'000	£'000
Secured borrowings at amortised cost		
Bank working capital facility	-	31,527

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023	2022
	£'000	£'000
Current liabilities	-	31,527

The carrying amount of the bank facility in the prior period was repaid in full in the current period as part of the restructuring of the Verallia Group.

19 Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	31,822	22,480
Amounts owed to fellow Group undertakings	52,926	12,731
Accruals and deferred income	6,954	9,220
	91,702	44,431

Amounts owed to Group undertakings are repayable on demand and carry no interest or security.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

20 Lease Liabilities

	2023	2022
	£'000	£'000
Maturity analysis		
Within one year	2,572	2,313
In two to five years	6,928	7,258
In over five years	98	1,104
Total undiscounted liabilities	9,598	10,675
Future finance charges and other adjustments	(861)	(1,113)
Lease liabilities in the financial statements	8,737	9,562

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023	2022
	£'000	£'000
Current liabilities	2,201	1,924
Non-current liabilities	6,537	7,638
	8,737	9,562

Amounts recognised in profit or loss include the following:

	2023	2022
	£'000	£'000
Interest on lease liabilities	534	434

The financial lease liabilities are effectively guaranteed since the rights to the leased asset revert to the lessor in the event of default.

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

21 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs	Other short term timing differences	Gains	Total
	£'000	£'000	£'000	£'000
Deferred tax liability at 4 December 2021	4,812	(68)	41	4,785
Deferred tax movements in prior period				
Charge to profit or loss	4,954	(4)	-	4,950
Deferred tax liability at 7 November 2022	9,766	(72)	41	9,735
Deferred tax movements in current period				
Charge to profit or loss	3,892	-	-	3,892
Deferred tax liability at 31 December 2023	13,658	(72)	41	13,627

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023	2022
	£'000	£'000
Deferred tax liabilities	13,699	9,807
Deferred tax assets	(72)	(72)
	<u>13,627</u>	<u>9,735</u>

22 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £1,711k (2022 - £1,271k).

23 Called up share capital

	2023	2022
	£	£
Authorised		
1,000 (2022: 1,000) Ordinary shares of £1 each	1,000	1,000
Issued and fully paid		
1,000 (2022: 1,000) Ordinary shares of £1 each	30	30

VERALLIA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2023

24 Share Premium

	2023 £'000	2022 £'000
At the beginning of the period	-	37,126
Issue of new shares	-	36,627
Other movements	-	(73,753)
At the end of the period	-	-

During the prior period there were share issues followed by a reduction to the share premium of £73.8m. This total amount was credited to retained earnings.

25 Capital commitments

The company has made commitments for capital expenditure of £9,535k (2022: £4,520k) for which no provision has been made in these financial statements.

26 Commodity commitments

The company makes contractual commitments to purchase certain commodities. The total future commitments as at the balance sheet date are as follows:

	2023 £'000	2022 £'000
Within one year	17,206	14,553
Between two and five years	7,118	8,652
	<u>24,324</u>	<u>23,205</u>

27 Operating lease commitments

Total commitments for future minimum lease payments under non-cancellable operating leases as:

	Land and buildings	
	2023 £'000	2022 £'000
Within one year	12	2
	<u>12</u>	<u>2</u>

28 Controlling party

On 8 November 2022 this entity and related group companies were acquired by Verallia Holding UK Limited, a newly incorporated company registered in England and Wales.

As at the financial period end, the immediate holding company is Verallia Holding UK Limited, a company incorporated and registered in England and Wales. The ultimate parent company is Verallia SA, a company incorporated and registered in France.