

Registered No 1218445

# **SAICA Pack UK Limited**

## **Report and Financial Statements**

31 December 2013

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COMPANIES HOUSE

**Directors**

R Alejandro Balet  
S Alejandro Balet  
T Rice  
P Giraud  
B Lister

**Secretary**

S Petty

**Auditors**

Ernst & Young LLP  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JD

**Bankers**

Banco Santander  
C/Coso 36-40  
50 004 Zaragoza  
Spain

National Westminster Bank Plc  
1 Princes Street  
London  
EC2R 8AQ

**Solicitors**

Squire Sanders LLP  
2 Park Lane  
Leeds  
LS3 1ES

**Registered Office**

The Finance Service Centre  
144 Manchester Road  
Carrington  
Manchester  
M31 4QN

## Strategic report

### Review of the business

The principal activity of the company continues to be the manufacture of corrugated containers and board, serving a broad range of customers

The company makes cardboard paper containers and board for a number of applications and has a long established position in the UK market

Margins decreased in 2013, although output volumes increased on 2012 levels. Paper costs rose in the year and we embarked upon a price increase programme to protect margins

The directors approach the future with cautious optimism, whilst acknowledging potential volatility in paper prices and within the general economy. Volatility in paper price is a key risk factor in the business but SAICA in the UK is part of an integrated Group incorporating a Paper Mill which mitigates much of this risk from an overall company perspective

The Board monitors progress of the company by reference to a balanced scorecard approach, but in particular one key performance indicator – earnings before interest, taxation, depreciation, amortisation and non-recurring items ('EBITDA'), is closely monitored

	2013 £000	2012 £000
EBITDA	17,473	23,558
EBITDA as percentage of sales	6.10%	8.18%

The strategic report was approved by the Board of Directors on 18 March 2014 and signed on their behalf by



T Rice

Director

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2013

### Results and dividends

The profit for the year, after taxation, amounted to £4,243,000 (2012 – £10,072,000) The profit has been transferred to reserves

The directors do not recommend the payment of a dividend (2012 – £nil)

### Principal risks and uncertainties

The directors are confident that the company is structured and positioned in a manner that will enable it to meet the demands of its markets and business environment

### Financial risk management

The company's operations expose it to a variety of financial risks including the effects of credit risk The overarching group policies in relation to other external risks, including interest rate risk, foreign exchange risk and liquidity risk, all of which are managed centrally by group treasury, are set out in the annual report and financial statements of Sociedad Anonima Industrias Celulosa Aragonesa ('SAICA'), the company's immediate parent undertaking The company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied

### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual counterparty is subject to a limit, which is reassessed by the Board The Board receive regular reports on amounts due and amounts significantly overdue and the relevant action taken

### Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements For this reason the directors continue to adopt the going concern basis of preparation for these financial statements

### Directors

The directors of the company during the year and to the date of approval of the financial statements are as follows

R Alejandro Balet  
S Alejandro Balet  
T Rice  
P Giraud  
B Lister (appointed 1 July 2013)

### Disabled employees

The policy of the company is to give full consideration to employment applications from disabled persons who have the necessary aptitudes and abilities to perform the duties of the job The company seeks to develop the skills and talents of disabled persons by providing appropriate training Where an employee becomes disabled whilst employed, arrangements are made wherever practicable to maintain employment by identifying a suitable job and providing any necessary retraining

## Directors' report

### Employee involvement

It is the company's policy to involve employees at all levels in the operation of the company and to inform them of its financial position and activities through briefing meetings, which are held at regular intervals

### Disclosure of information to the auditors

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

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board



T Rice

Director

18 March 2014

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report (incorporating the Strategic Report and the Directors' Report) and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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.

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

# **Independent auditors' report**

**to the members of SAICA Pack UK Limited**

We have audited the financial statements of SAICA Pack UK Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## **Respective responsibilities of directors and auditor**

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

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

## **Opinion on other matter prescribed by the Companies Act 2006**

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


## **Independent auditors' report**

to the members of SAICA Pack UK Limited

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

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

- adequate accounting records have not been kept, 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



Darren Rutherford (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Newcastle upon Tyne

18 March 2014



## Profit and loss account

for the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
<b>Turnover</b>	2	287,695	288,128
Cost of sales		(226,779)	(221,795)
<b>Gross profit</b>		60,916	66,333
Distribution expenses		(14,971)	(15,018)
Administrative expenses		(39,509)	(38,702)
<b>Operating profit</b>	3	6,436	12,613
Loss on disposal of tangible fixed assets		(4)	(207)
Costs of fundamental restructuring	4	-	(1,900)
Interest receivable and similar income	7	416	613
<b>Profit on ordinary activities before taxation</b>		6,848	11,119
Tax charge on profit on ordinary activities	8	(2,605)	(1,047)
<b>Profit for the financial year</b>	17	4,243	10,072

All activities are continuing

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

## Statement of total recognised gains and losses

for the year ended 31 December 2013

There were no recognised gains or losses other than the profit attributable to the shareholders of the company of £4,243,000 in the year ended 31 December 2013 (2012 – profit of £10,072,000)

**Balance sheet**

at 31 December 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	9	114,021	120,634
<b>Current assets</b>			
Stocks	10	16,167	14,208
Debtors – due after more than one year	11	-	2,263
– due within one year	12	104,726	88,667
Short-term cash investments		17,840	22,171
Cash at bank and in hand		1,346	5,275
		140,079	132,584
<b>Creditors amounts falling due within one year</b>	13	(38,053)	(40,756)
<b>Net current assets</b>		102,026	91,828
<b>Total assets less current liabilities</b>		216,047	212,462
<b>Creditors amounts falling due in more than one year</b>	14	(2,000)	(3,000)
<b>Provisions for liabilities and charges</b>	8(d)	(342)	-
<b>Net assets</b>		213,705	209,462
<b>Capital and reserves</b>			
Called up share capital	15	84,731	84,731
Share premium account	16	124,999	124,999
Profit and loss account	16	3,975	(268)
<b>Equity shareholders' funds</b>	17	213,705	209,462

Approved by the Board of Directors and signed on its behalf by


T Rice  
Director

18 March 2014

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention on a going concern basis and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006

#### *Statement of cash flows*

As permitted by FRS 1 'Cash Flow Statements (Revised 1996)', the company has not produced a statement of cash flows because its parent undertaking, Sociedad Anonima Industrias Celulosa Aragonesa, which controls 100% of the voting rights of the company, has prepared group financial statements, which include a group statement of cash flows, which are publicly available

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis over its expected useful life as follows:

Freehold land	–	not depreciated
Freehold buildings	–	3 to 50 years
Plant and machinery	–	3 to 18 years
Assets in the course of construction	–	not depreciated

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Short-term cash investments*

Cash balances on deposit requiring notice of withdrawal greater than 24 hours without interest penalties are disclosed as short-term cash investments.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is based on:

Raw materials	–	Purchase cost on a first-in, first-out basis, including transport
Work in progress and finished goods	–	Cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity, or sales price less average margin achieved in the period. Any differences between the two methods are considered to be immaterial.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

#### *Turnover*

Turnover comprises the value of sales (excluding value added tax and similar taxes and trade discounts) of goods and services provided in the normal course of business

Revenue is recognised when, in the opinion of the directors, the company has fulfilled its obligations under the terms of sale and title of the goods has been transferred to the buyer, usually upon delivery of goods

#### *Operating leases*

Rentals under operating leases are charged on a straight line basis over the lease term to the profit and loss account

#### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

### 2. Turnover

The geographical analysis of the company's turnover by destination is as follows

	2013 £000	2012 £000
United Kingdom	269,599	272,064
Europe	18,096	16,064
	<u>287,695</u>	<u>288,128</u>

All turnover originates in the United Kingdom from the company's principal activity. The company is considered to undertake one class of business.

## Notes to the financial statements

at 31 December 2013

### 3. Operating profit

This is stated after charging

	2013 £000	2012 £000
Auditors' remuneration – audit	98	95
– services relating to taxation compliance	14	10
– services relating to taxation advisory	12	17
Depreciation of owned tangible fixed assets	10,891	10,843
Operating lease rentals – land and buildings	1,189	1,340
– other	2,434	2,381
Foreign exchange losses	272	119
	<u>          </u>	<u>          </u>

### 4. Exceptional items

#### *Costs of fundamental restructuring*

The majority of the reported restructuring costs of £1,900,000 in 2012 related to the relocation of the previous head office to Carrington

### 5. Staff costs

	2013 £000	2012 £000
Wages and salaries	47,697	47,487
Social security costs	5,160	5,056
Other pension costs	5,085	4,779
	<u>57,942</u>	<u>57,322</u>

The average monthly number of employees, including executive directors, was as follows

	2013 No	2012 No
Production	958	978
Sales and marketing	405	415
Administration	121	124
	<u>1,484</u>	<u>1,517</u>

## Notes to the financial statements

at 31 December 2013

### 6. Directors' emoluments

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Aggregate emoluments	249	360
Contributions to defined contribution pension scheme	19	11
	<u>268</u>	<u>371</u>

The emoluments of three directors for services rendered during 2013 and 2012 were borne by other group companies and not recharged. It is not practical to allocate or split these amounts.

In respect of the highest paid director

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Aggregate emoluments	163	217

### 7. Interest receivable and similar income

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Bank deposits	374	613
Interest receivable from group undertakings	42	-
	<u>416</u>	<u>613</u>

## Notes to the financial statements

at 31 December 2013

### 8. Tax on profit on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2013 £000	2012 £000
<i>Current tax</i>		
UK corporation tax on the profit for the year	-	-
Adjustment in respect of prior periods	-	(571)
Total current tax (note 8(b))	-	(571)
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,297	1,308
Effect of change in tax rate on opening liability	308	310
Total deferred tax charge (note 8(d))	2,605	1,618
Tax on profit on ordinary activities	2,605	1,047

#### (b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%) The differences are explained below

	2013 £000	2012 £000
Profit on ordinary activities before taxation	6,848	11,119
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012– 24.5%)	1,592	2,724
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,191	1,370
Accelerated capital allowances	(633)	(986)
Utilisation of brought forward tax losses	(2,150)	(3,108)
Adjustment in respect of prior periods	-	(571)
Total current tax (note 8(a))	-	(571)

## Notes to the financial statements

at 31 December 2013

### 8. Tax on profit on ordinary activities (continued)

#### (c) Factors affecting future tax charges

The company has unrelieved tax trading losses to carry forward of approximately £1 million as at 31 December 2013 (2012 – £10 million)

A standard rate of 23.25% applies to current tax liabilities arising during the year ended 31 December 2013. Rates of 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013, this has been applied to the company's deferred tax liability at the balance sheet date

#### (d) Deferred tax

	2013 £000	2012 £000
At beginning of year	2,263	3,881
Debited to the profit and loss account (note 8(a))	(2,605)	(1,618)
Deferred tax (liability)/asset (note 11)	(342)	2,263
	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Decelerated capital allowances	(671)	(219)
Other timing differences/tax losses	329	2,482
Total deferred tax (liability)/asset	(342)	2,263

In addition there is an unprovided deferred tax asset, relating to capital losses of £760,000 (2012 £873,000)



## Notes to the financial statements

at 31 December 2013

### 9. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost</i>			
At 1 January 2013	50,293	121,675	171,968
Additions	270	4,015	4,285
Disposals	-	(317)	(317)
At 31 December 2013	50,563	125,373	175,936
<i>Accumulated depreciation</i>			
At 1 January 2013	4,899	46,435	51,334
Charge for the year	1,080	9,811	10,891
Disposals	-	(310)	(310)
At 31 December 2013	5,979	55,936	61,915
<i>Net book value</i>			
At 31 December 2013	44,584	69,437	114,021
At 1 January 2013	45,394	75,240	120,634

Freehold land amounting to £21,999,000 (2012 – £21,999,000) and assets in the course of construction included in 'Plant and equipment' amounting to £947,000 (2012 – £3,268,000) have not been depreciated

### 10. Stocks

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	10,659	8,590
Work in progress	584	439
Finished goods	4,924	5,179
	16,167	14,208

The replacement cost of stock is not materially different to its balance sheet value

### 11. Debtors' amounts falling due after more than one year

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Deferred tax asset (note 8(d))	-	2,263

## Notes to the financial statements

at 31 December 2013

### 12. Debtors: amounts falling due within one year

	2013	2012
	£000	£000
Trade debtors	63,786	64,098
Amounts owed by other group undertakings	38,747	22,010
Other debtors	24	118
Prepayments and accrued income	2,169	2,441
	<u>104,726</u>	<u>88,667</u>

### 13. Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	5,130	4,582
Amounts owed to group undertakings	5,581	4,367
Taxation and social security	9,207	8,706
Accruals and deferred income	18,135	23,101
	<u>38,053</u>	<u>40,756</u>

### 14. Creditors: amounts falling due in more than one year

	2013	2012
	£000	£000
Accruals and deferred income	2,000	3,000

### 15. Issued share capital

		2013		2012
	No	£000	No	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	84,730,625	84,731	84,730,625	84,731

## Notes to the financial statements

at 31 December 2013

### 16. Movements on reserves

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>
At 1 January 2013	124,999	(268)
Profit for the financial year	-	4,243
At 31 December 2013	124,999	3,975

### 17. Reconciliation of shareholders' funds

	<i>2013 £000</i>	<i>2012 £000</i>
Profit for the financial year	4,243	10,072
Net addition to shareholders' funds	4,243	10,072
Opening shareholders' funds	209,462	199,390
Closing shareholders' funds	213,705	209,462

### 18. Other financial commitments

#### (a) Capital commitments

At the end of the year, capital commitments were £662,000 (2012 – £1,433,000)

#### (b) Lease commitments

Annual rentals payable by the company on operating leases expiring

	<i>2013 Land and buildings £000</i>	<i>2013 Other £000</i>	<i>2012 Land and buildings £000</i>	<i>2012 Other £000</i>
Operating leases which expire				
Within one year	-	102	28	94
In two to five years	455	945	247	1,247
Over five years	365	22	449	101
	820	1,068	724	1,442

### 19. Related party transactions

The company has taken advantage of the exemption given in FRS 8 'Related Party Disclosures', not to disclose transactions with wholly owned related parties on the grounds that it is a wholly owned subsidiary of a group headed by Sociedad Anonima Industrias Celulosa Aragonesa, whose financial statements are publicly available

## Notes to the financial statements

at 31 December 2013

### 20. Ultimate parent undertaking and controlling party

The directors regard Sociedad Anonima Industrias Celulosa Aragonesa (SAICA), a company incorporated in Spain, whose registered address is San Juan de la Pena, 144 50015 Zaragoza, Spain, as the immediate parent undertaking and controlling party

The largest and smallest group of which SAICA Pack UK Limited is a member, and for which group financial statements are drawn up, is that headed by SAICA

The directors regard Aragocias S A as the ultimate parent undertaking and controlling party. Their principal place of business is at Avenida Independencia, 24-26, 50004 Zaragoza, Spain