

SAICA Pack UK Limited

Report and Financial Statements

31 December 2016



Directors

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

Secretary

S Petty

Auditor

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

The directors present their strategic report for the year ended 31 December 2016.

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.

2016 was a steady year, with margin, costs and volumes broadly in line with 2015. The company continued to invest heavily in its asset base and this is reflected in the higher year on year depreciation charge.

The company is projecting strong growth and increased profitability in 2017, supported by the 2015 and 2016 capital investment programmes.

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, foreign exchange differences and non-recurring items ('EBITDA'), is closely monitored.

	2016 £000	2015 £000
EBITDA	19,657	21,150
EBITDA as percentage of sales	6.6%	7.0%

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.

The strategic report was approved by the Board of Directors on 30 March 2017 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 2016.

Results and dividends

The profit for the year, after taxation, amounted to £7,365,000 (2015 - £8,931,000). The profit has been transferred to reserves.

The directors do not recommend the payment of a dividend (2015 - £nil).

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

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.

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 auditor

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.

Auditor

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

On behalf of the Board



T Rice
Director
30 March 2017

Directors' responsibilities statement

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 auditor's 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 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of SAICA Pack UK Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

30 March 2017

Income statement

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover	2	299,336	302,249
Cost of sales		(230,314)	(228,427)
Gross profit		69,022	73,822
Distribution expenses		(16,452)	(16,529)
Administrative expenses		(43,144)	(45,234)
Operating profit	3	9,426	12,059
Profit/(loss) on disposal of tangible fixed assets		299	(302)
Interest receivable and similar income	6(a)	-	1
Interest payable and similar charges	6(b)	(2)	(14)
Profit before taxation		9,723	11,744
Tax charge on profit	7	(2,358)	(2,813)
Profit for the financial year		7,365	8,931

All activities are continuing.

Statement of changes in equity

for the year ended 31 December 2016

	<i>Called up share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2015	84,731	124,999	7,896	217,626
Profit for the year	-	-	8,931	8,931
Repayment of capital to shareholders	-	(35,000)	-	(35,000)
At 31 December 2015	84,731	89,999	16,827	191,557
Profit for the year	-	-	7,365	7,365
At 31 December 2016	84,731	89,999	24,192	198,922

Balance sheet

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	8	127,052	119,877
Current assets			
Stocks	9	17,940	18,362
Debtors	10	89,774	91,383
Cash at bank and in hand		1,672	3,105
		109,386	112,850
Creditors: amounts falling due within one year	11	(35,152)	(39,614)
Net current assets		74,234	73,236
Total assets less current liabilities		201,286	193,113
Provisions for liabilities and charges	7(d)	(2,364)	(1,556)
Net assets		198,922	191,557
Capital and reserves			
Called up share capital	12	84,731	84,731
Share premium account	12	89,999	89,999
Profit and loss account		24,192	16,827
Equity attributable to owners of parent undertaking		198,922	191,557

The financial statements were approved by the Board of Directors and signed on their behalf by:



T Rice
Director
30 March 2017

Notes to the financial statements

at 31 December 2016

1. Accounting policies

Statement of compliance

SAICA Pack UK Limited is a limited liability company incorporated in England.

The Registered Office is:

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

The company's financial statements have been prepared in accordance with FRS102.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements have been prepared using accounting principles based on historical cost, unless stated otherwise.

The financial statements are prepared in GBP sterling which is the functional currency of the company and rounded to the nearest £'000.

In these financial statements, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Sections 33.1A and 33.7 Related Party Disclosures

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Tangible fixed assets

Management estimation is required to determine the appropriate asset lives over which to depreciate the company's tangible fixed assets, in light of ongoing technological developments and the company's strategic plans.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Significant accounting policies

Provisions and accruals for liabilities

Management estimation is required to determine the appropriate amounts of accruals and provisions for bad and doubtful debts, customer rebates and certain administrative expenses accruals.

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.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

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 income statement.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term to the income statement.

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.

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.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the income statement 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:

	2016 £000	2015 £000
United Kingdom	286,340	289,374
Europe	12,996	12,875
	<u>299,336</u>	<u>302,249</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 2016

3. Operating profit

This is stated after charging:

	2016 £000	2015 £000
Auditors' remuneration – audit	105	103
– services relating to taxation compliance	15	13
– services relating to taxation advisory	12	12
Depreciation of owned tangible fixed assets	9,946	8,369
Operating lease rentals – land and buildings	2,113	2,255
– other	2,177	2,257
Foreign exchange losses	271	1,125
	<u> </u>	<u> </u>

4. Staff costs

	2016 £000	2015 £000
Wages and salaries	51,910	51,248
Social security costs	5,445	5,405
Other pension costs	5,758	5,687
	<u>63,113</u>	<u>62,340</u>

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

	2016 No.	2015 No.
Production	1,014	1,017
Sales and marketing	362	351
Administration	140	149
	<u>1,516</u>	<u>1,517</u>

Notes to the financial statements

at 31 December 2016

5. Directors' emoluments

	2016 £000	2015 £000
Aggregate emoluments	410	385
Contributions to defined contribution pension scheme	39	30
	<u>449</u>	<u>415</u>

The emoluments of three directors for services rendered during 2016 and 2015 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:

	2016 £000	2015 £000
Aggregate emoluments	280	247
Contributions to defined contribution pension scheme	27	18

6(a) Interest receivable and similar income

	2016 £000	2015 £000
Interest receivable from group undertakings	-	1

6(b) Interest payable and similar charges

	2016 £000	2015 £000
Interest payable to group undertakings	2	14

Notes to the financial statements

at 31 December 2016

7. Tax on profit

(a) Tax on profit

The tax charge is made up as follows:

	2016 £000	2015 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	1,526	2,083
Adjustment in respect of prior periods	24	28
Total current tax	1,550	2,111
<i>Deferred tax:</i>		
Origination and reversal of timing differences	1,078	950
Effect of changes in tax rates	(247)	(184)
Adjustment in respect of prior periods	(23)	(64)
Total deferred tax charge (note 7(d))	808	702
Tax on profit	2,358	2,813

(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 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit before taxation	9,723	11,744
Profit multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	1,945	2,378
<i>Effects of:</i>		
Expenses not deductible for tax purposes	658	655
Effect of changes in tax rates	(247)	(184)
Adjustments in respect of prior periods	2	(36)
Total tax (note 7(a))	2,358	2,813

Notes to the financial statements

at 31 December 2016

7. Tax on profit (continued)

(c) Factors affecting future tax charges

The company has no unrelieved tax trading losses to carry forward as at 31 December 2016 (2015 - £nil).

A standard rate of 20% applies to current tax liabilities arising during the year ended 31 December 2016. Rates of 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted prior to the balance sheet date, and have been applied to the company's deferred tax liability at the balance sheet date.

(d) Deferred tax

	2016 £000	2015 £000
At beginning of year	(1,556)	(854)
Debited to the income statement (note 7(a))	(808)	(702)
Deferred tax liability	<u>(2,364)</u>	<u>(1,556)</u>
	2016 £000	2015 £000
Accelerated capital allowances	(2,481)	(1,726)
Other timing differences/tax losses	117	170
Total deferred tax liability	<u>(2,364)</u>	<u>(1,556)</u>

In addition there is an unprovided deferred tax asset, relating to capital losses of £646,000 (2015 - £684,000).

Notes to the financial statements

at 31 December 2016

8. 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 2016	51,144	148,593	199,737
Additions	385	16,899	17,284
Disposals	-	(3,559)	(3,559)
Transfers	14	(14)	-
At 31 December 2016	51,543	161,919	213,462
<i>Accumulated depreciation:</i>			
At 1 January 2016	8,058	71,802	79,860
Charge for the year	1,021	8,925	9,946
Disposals	-	(3,396)	(3,396)
At 31 December 2016	9,079	77,331	86,410
<i>Net book value:</i>			
At 31 December 2016	42,464	84,588	127,052
At 1 January 2016	43,086	76,791	119,877

Freehold land amounting to £21,950,000 (2015 - £21,950,000) and assets in the course of construction included in 'Plant and equipment' amounting to £3,804,000 (2015 - £7,862,000) have not been depreciated.

9. Stocks

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	11,139	10,864
Work in progress	618	682
Finished goods	6,183	6,816
	17,940	18,362

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

Notes to the financial statements

at 31 December 2016

10. Debtors

	2016	2015
	£000	£000
Trade debtors	75,206	68,913
Amounts owed by other group undertakings - trading	12,793	20,376
Other debtors	4	9
Prepayments and accrued income	1,771	2,085
	<u>89,774</u>	<u>91,383</u>

11. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	5,322	6,162
Amounts owed to group undertakings - trading	842	1,090
Taxation and social security	8,639	9,442
Accruals and deferred income	19,673	21,674
Corporation tax	676	1,246
	<u>35,152</u>	<u>39,614</u>

12. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	2016 £000	<i>No.</i>	2015 £000
Ordinary shares of £1 each	84,730,625	84,731	84,730,625	84,731

The share premium account of £89,999,000 (2015: £89,999,000) relates to the amount above nominal value received for shares issued.

13. Financial instruments

	2016	2015
	£000	£000
Financial assets measured at amortised cost:		
Trade and other debtors	75,210	68,922
	<u>75,210</u>	<u>68,922</u>
Financial liabilities recorded at amortised cost:		
Trade creditors	5,322	6,162
	<u>5,322</u>	<u>6,162</u>

Notes to the financial statements

at 31 December 2016

14. Other financial commitments

(a) Capital commitments

At the end of the year, capital commitments were £6,282,000 (2015 - £7,013,000).

(b) Lease commitments

Rentals payable by the company on non-cancellable operating leases expiring:

	2016	2016	2015	2015
	<i>Land and</i>		<i>Land and</i>	
	<i>buildings</i>	<i>Other</i>	<i>buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Future minimum rentals payable:				
Within one year	662	1,384	597	1,655
In two to five years	1,430	1,636	1,588	2,564
Over five years	20	-	99	39
	<u>2,112</u>	<u>3,020</u>	<u>2,284</u>	<u>4,258</u>

15. Related party transactions

The company has taken advantage of the exemption given in FRS 102.33.1A and FRS 102.33.7, not to disclose transactions with wholly owned related parties and key management personnel, 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.

16. 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.

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.