1146077

SIG Combibloc Limited

Report and Financial Statements

31 December 2007

Registered No 1146077

Directors
J Neidhardt
A S Jackson

Secretary
S J Davidson

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

Bankers
HSBC Bank plc
110 Grey Street
Newcastle upon Tyne
NE1 6JG

Registered Office
Blackthorn Way
Houghton le Spring
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Directors' report

The directors present the financial statements of the company for the year ended 31 December 2007

Principal activity

The principal activity of the company is the sale of liquid packaging cartons and the sale and service of associated machinery for the forming and filling of cartons

Review of the business

In the opinion of the directors, the 2007 result demonstrated that the restructuring programme which began in 2006 achieved its objective

While total turnover was reduced following the cessation of production in 2006 as no manufacture was made for other subsidiaries in the Group, existing third party business continued to grow Margins were maintained and along with the new overhead base it led to a satisfactory result for the year

The profit for the year, after taxation, amounted to £1,460,000 (2006 £8,599,000)

Future developments

The directors will continue to manage the business with a view to improving the company's profitability in the current year through the existing customer base and additional new business

The directors believe that the company's new organisational structure will enable this future business growth

Principal risks and uncertainties

There have been no significant changes in the competition faced by the company in 2007, with no new products entering the market from existing competitors and no new competing products introduced in other markets that are likely to impact significantly in the near term

The company's operational risk is minimised by having multi-sourced group manufacturing facilities for its products

It is believed that the effects of the current financial conditions, while having some impact on the company's future performance, will not significantly affect its profitability

Directors and their interests

The following directors of the company held office throughout the year

J Neidhardt
A S Jackson

Political and charitable donations

During the year, the company made no charitable donations (2006 nil)

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2007, the company had an average of 12 days purchases outstanding in trade creditors

Directors' report

Financial risk management policy

The company's principal financial instruments comprise cash, cash equivalents and inter-company loans Other financial assets and liabilities, such as trade debtors, trade creditors and group balances, arise directly from the company's operating activities

The main risks associated with the company's financial assets and liabilities are set out below

Interest rate risk

Interest is charged at a variable rate on inter-company loans and any other borrowings Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates

Credit risk

All third party customers are subject to credit limits, insured or internally agreed, to ensure the group's exposure to bad debt is not significant

The remaining sales are with fellow subsidiary companies and therefore there is no exposure to external credit risk

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations Significant capital expenditure is approved at group level

Foreign currency risk

The company has natural hedging in its regular trading transactions in Euro

Wherever possible, loans will be denominated in sterling to avoid the currency risk

If loans are denominated in Euro, the company's interest charge and cash flows arising from the loan can be affected by movements in the Euro exchange rate No hedging activity is undertaken locally to mitigate this risk

Environmental matters

The company takes its environmental responsibilities very seriously As the company no longer engages in any form of manufacturing there is little risk of the company's local activities having a direct impact on the environment The company considers environmentally friendly initiatives as and when the opportunities present themselves

The company is one of three members of the Alliance for Beverage Cartons and the Environment in the UK (ACE-UK) ACE-UK was formed in 2007 and represents the leading beverage carton packaging manufacturers for the UK market in environmental policy and activity developments ACE-UK's mission is

• To support environmental policies, activities and legislation in the field of packaging, waste, recycling and recovery consistent with the requirements of the UK market,

• To contribute to UK environmental policy, activities and legislation related to beverage carton packaging in particular the promotion of renewable resources, and

• To communicate the beverage carton's environmental credentials to UK stakeholders

Directors' report

Employees

The company gives full and fair consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person Where employees become disabled during the course of their employment, every effort is made to provide them with continuing employment

During the year the company's policy of providing employees with information about the company has continued and employees have been encouraged to present their suggestions and views on the company's performance Regular meetings are held between local management and employees to allow a free flow of information and ideas

Completeness of information to auditors

In accordance with the Companies Audit, Investigations and Enterprise Act 2004, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

S J Davidson
Secretary

14 May 2008

Statement of directors' responsibilities

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) The financial statements are required by law to 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 The directors 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

ERNST & YOUNG

Independent auditors' report

to the members of SIG Combibloc Limited

We have audited the company financial statements of SIG Combibloc Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statements of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

ERNST & YOUNG

Independent auditors' report

to the members of SIG Combibloc Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

14 May 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	28,803	41,200
Operating costs	3	(27,688)	(44,836)
Operating profit/(loss)		1,115	(3,636)
Exceptional restructuring costs charged	4	(181)	(6,687)
Income from loans waived by fellow group undertakings		-	17,336
Profit on sale of assets held for sale		313	-
Profit on sale of tangible fixed assets		9	2,221
Net interest receivable/(payable)	5	141	(635)
Profit on ordinary activities before taxation		1,397	8,599
Tax credit on profit on ordinary activities	6	63	-
Retained profit for the year	17	1,460	8,599

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £1,460,000 (2006 profit of £8,599,000) attributable to shareholders above and therefore no separate statement of total recognised gains and losses has been presented

Balance Sheet
at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	11	136	202
Current assets			
Stocks	12	3,255	1,678
Debtors	13	3,368	5,091
Assets held for resale		826	2,072
Cash at bank and in hand		5,376	5,789
		12,825	14,630
Creditors amounts falling due within one year	14	1,886	5,217
Net current assets		10,939	9,413
Total assets less current liabilities		11,075	9,615
Provisions for liabilities and charges	15	-	-
		11,075	9,615
Capital and reserves			
Called up share capital	16	1,500	1,500
Capital contribution	16	6,000	6,000
Profit and loss account	17	3,575	2,115
Equity shareholders' funds	17	11,075	9,615

The financial statements of SIG Combibloc Limited were approved by the Board of Directors on 14 May 2008 and signed on their behalf by

A S Jackson
Director

Statement of Cash Flows
at 31 December 2007

	Notes	2007 £000	2006 £000
Net cash outflow from operating activities	18	(1,932)	(7,980)
Returns on investments and servicing of finance			
Interest paid		(2)	(713)
Interest received		143	78
		141	(635)
Taxation			
Corporation tax refund		63	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(78)	(287)
Receipts from sales of tangible fixed assets		15	5,100
Receipts from sale of assets held for sale		1,378	-
		1,315	4,813
Equity dividends paid		-	(1,500)
Net cash inflow before financing		(413)	(5,302)
Financing			
Net cash inflow from financing		-	-
Decrease in cash		(413)	(5,302)

Reconciliation of net cash flow to movement of net funds

	2007 £000	2006 £000
Decrease in cash	(413)	(5,302)
Movement in net funds arising from cash flows	(413)	(5,302)
Waiving of long term loan from fellow subsidiary undertaking	-	11,000
Total movement in net funds	(413)	5,698
Net funds at 1 January	5,789	91
Net funds at 31 December	5,376	5,789

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Depreciation

Depreciation is calculated to write off the book value of tangible assets over their expected life by equal annual instalments, except that depreciation is not provided on the cost of freehold land or assets under construction Tangible fixed assets are depreciated at the following rates

Freehold buildings	-	2%
Plant, machinery and vehicles	-	7 5 to 33 3%

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows

Raw materials and goods for resale	-	purchases on an average cost basis
Work in progress and finished goods	-	cost of direct materials, labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the year end or which are appropriate to a transaction Differences arising from fluctuations in exchange rates are taken to profit and loss account where they relate to items of a trading nature Those arising on long term assets and liabilities are taken directly to reserves

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events 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

Development expenditure

Development expenditure is charged in the year it is incurred

Deferred operating expenditure

The net costs of filling machine placements are charged against profit over the period of the supply contract with the customer Any such net costs not yet charged are held in the balance sheet as 'deferred operating expenditure'

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pension costs

The company operates a group personal pension plan which is a defined contribution scheme The assets of this scheme are held separately from those of the company in an independently administered fund The pension costs charge in 2007 represents contributions payable by the company to the scheme

2. Turnover

Turnover is defined as the net amount receivable (excluding VAT) for goods supplied and services provided and includes sales to group undertakings within the UK and Eire Turnover is attributable to one continuing activity, the sale of liquid packaging cartons and the sale of associated machinery for the forming and filling of cartons

An analysis of turnover by geographical market is not given as, in the directors 'opinion, it would be seriously prejudicial to the business

3. Operating costs

	2007	*2006*
	£000	*£000*
Raw materials and consumables	19,436	27,368
Employee costs (note 8)	1,628	6,786
Depreciation – owned fixed assets	138	3,499
Other operating charges	6,486	6,687
Decrease in stocks of finished goods	-	496
	27,688	44,836
Other operating charges include		
Auditors' remuneration	18	25
Other fees paid to auditors (taxation services)	35	22

4. Exceptional restructuring costs

	2007	*2006*
	£000	*£000*
Redundancy costs	-	(1,740)
Fixed asset/assets held for sale impairment	(181)	(2,918)
Site clearance costs	-	(908)
Inventory write-off	-	(504)
Legal fees	-	(308)
Other costs	-	(309)
	(181)	(6,687)

Notes to the financial statements

at 31 December 2007

5. Interest

	2007	*2006*
	£000	*£000*
Payable		
Third party - other	(2)	(35)
Group undertakings	-	(678)
	(2)	(713)
Receivable		
Third party - other	143	78
Net interest receivable/(payable)	141	(635)

6. Tax credit on profit on ordinary activities

(a) The tax credit is made up as follows

	2007	*2006*
	£000	*£000*
Current tax		
UK Corporation tax	-	-
Adjustments in respect of previous years	(63)	-
Total current tax (note 6(b))	(63)	-
Deferred tax		
Deferred tax (note 15)	-	-
Total deferred tax	-	-
Tax credit on profit on ordinary activities	(63)	-

Notes to the financial statements

at 31 December 2007

6. Taxation (continued)

(b) Factors affecting current tax credit

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporate tax in the UK of 30% (2006 30%) The differences are reconciled below

	2007 *£000*	*2006* *£000*
Profit on ordinary activities before tax	1,397	8,599
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2006 30%)	419	2,580
Expenses not deductible for tax purposes	3	3
Income from loans waived not taxable	-	(5,201)
Other timing differences	(443)	492
Tax losses arising in the year not relievable against current tax	900	1,352
Profit on disposal of assets not taxable	-	(439)
Depreciation (less than)/in excess of capital allowances	(879)	1,213
Adjustments in respect of previous years	(63)	-
Total current tax (note 6(a))	(63)	-

(c) Factors that may affect future tax charges

The company has tax trading losses carried forward of approximately £5 6m which are available for offset against future taxable trading profits

With effect from 1 April 2008 the standard rate of corporation tax was reduced from 30% to 28% This will affect the rate at which timing differences will reverse However, as no deferred tax asset has been recognised this has no effect on these financial statements

(d) A taxation credit has been included at the rate of 30% on the exceptional restructuring costs charged

7. Dividends

	2007 *£000*	*2006* *£000*
Equity dividends on ordinary shares - paid	-	1,500

Notes to the financial statements

at 31 December 2007

8. Staff costs

	2007	*2006*
	£000	*£000*
Wages and salaries (including redundancy costs)	1,327	5,901
Social security costs	167	432
Other pension costs	134	453
	1,628	6,786

8. Staff costs (continued)

The monthly average number of employees during the year was as follows

	2007	*2006*
	No	*No*
Operatives	-	64
Staff	35	69
	35	133

9. Directors' emoluments

	2007	*2006*
	£000	*£000*
Emoluments	95	6
Compensation for loss of office paid as contributions to group stakeholder Pension scheme	268	-

10. Pension costs

The company operates a group personal pension plan which is a defined contribution scheme The assets of this scheme are held separately from those of the company in an independently administered fund

Contributions are charged to the profit and loss account in the year in which they become payable The unpaid contributions at 31 December 2007 were £10,414 (2006 £21,042)

Notes to the financial statements

at 31 December 2007

11 Tangible fixed assets

	Plant machinery & vehicles £000	Total £000
Cost or valuation		
At 1 January 2007	1,977	1,977
Additions	78	78
Disposals	(796)	(796)
At 31 December 2007	1,259	1,259
Depreciation		
At 1 January 2007	1,775	1,775
Charge for the period	138	138
Disposals	(790)	(790)
At 31 December 2006	1,123	1,123
Net book value		
At 31 December 2007	136	136
Net book value		
At 31 December 2006	202	202

12 Stocks

	2007 *£000*	*2006* *£000*
Raw materials	-	353
Finished goods and goods for resale	3,255	1,325
	3,255	1,678

Notes to the financial statements
at 31 December 2007

13. Debtors

	2007 £000	2006 £000
Amounts due from fellow subsidiary undertakings	311	883
Trade debtors	1,584	2,777
Deferred operating expenditure	449	719
Other debtors	1,024	712
	3,368	5,091

Amounts falling due after more than one year include the following amounts included within deferred operating expenditure and other debtors	343	544

14. Creditors

	2007 £000	2006 £000
Amounts falling due within one year		
Amounts due to fellow subsidiary undertakings	379	1,596
Trade creditors	232	497
Other taxes and social security costs	764	831
Other creditors and accruals	511	2,293
	1,886	5,217

15. Provisions for liabilities and charges

	2007 £000	2006 £000
The movement in deferred taxation during the current and previous Years are as follows		
At 1 January	-	-
At 31 December	-	-

Notes to the financial statements

at 31 December 2007

15. Provisions for liabilities and charges (continued)

The deferred tax not included in the balance sheet is made up as follows

	2007	*2006*
	£000	*£000*
Depreciation in excess of capital allowances	(1,604)	(2,018)
Other timing differences	(80)	(513)
Tax losses	(1,573)	(1,641)
Unprovided deferred tax asset	(3,257)	(4,172)

16. Share capital

	2007	*2006*
	£000	*£000*
Ordinary shares of £1 each – authorised, allotted, called up and fully paid	1,500	1,500
Capital contribution	6,000	6,000
	7,500	7,500

17. Reconciliation of shareholders' funds and movements on reserves

	Share Capital	Profit & Loss Account	Total Shareholders Funds
	£000	£000	£000
At 1 January 2006	7,500	(4,984)	2,516
Profit for the year	-	8,599	8,599
Dividend – equity paid	-	(1,500)	(1,500)
At 31 December 2006	7,500	2,115	9,615
Profit for the year	-	1,460	1,460
At 31 December 2007	7,500	3,575	11,075

Notes to the financial statements

at 31 December 2007

18. Reconciliation of operating profit to net cash flow from operating activities

	2007	*2006*
	£000	*£000*
Operating profit/(loss)	1,115	(3,636)
Exceptional restructuring costs charged	(181)	(6,687)
Depreciation and impairment charge on fixed assets and assets held for sale	319	6,417
(Increase)/decrease in stocks	(1,577)	4,694
Decrease in debtors	1,723	1,691
Decrease in creditors	(3,331)	(10,459)
Net cash outflow from operating activities	(1,932)	(7,980)

19. Capital commitments

There are no capital commitments contracted but not provided for (2006 £nil)

20. Commitments under operating leases

As at 31 December 2007, the group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings			*other*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
After more than five years	-	-	721	673
	-	-	721	673

21. Contingent liabilities

The company has placed equipment at customer premises, the sale of which, was made through leasing companies and supported by Letter of Comforts

As part of the arrangements the company entered into agreements whereby it has agreed to buy back the equipment for £2,583,000 on expiry or other termination of the rental agreements

The company believes that the future income from the agreements, should the customer continue to use the equipment or the proceeds from re-sale is likely to be greater than £2,583,000

The Company is party to a bank cross guarantee in relation to the bank borrowings of Beverage Packaging Holdings (Luxemburg) ISA

22. Related parties

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with group undertakings on the grounds that it is a wholly owned subsidiary undertaking of SIG Holding AG

Notes to the financial statements

at 31 December 2007

23. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of SIG Holdings (UK) Limited

The ultimate parent and controlling party is Rank Group Holdings Limited, a company incorporated in New Zealand