

COVERIS FLEXIBLES UK LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

FRIDAY



L5GMZHOI

LD4

30/09/2016

#37

COMPANIES HOUSE

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Page
Company Information	1
Strategic Report	2 to 3
Report of the Directors	4 to 5
Report of the Independent Auditors	6 to 7
Income Statement	8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 26

COVERIS FLEXIBLES UK LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS:

I R B Partington
D Patterson
K R Bostock
M E Lapping

SECRETARY:

K R Bostock

REGISTERED OFFICE:

Holland Place
Wardentree Park
Pinchbeck
Spalding
Lincolnshire
PE11 3ZN

REGISTERED NUMBER:

02925612 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

SOLICITORS:

DLA Piper
Princes Exchange
Princes Square
Leeds
LS1 4BY

BANKERS:

Barclays Bank plc
Third Floor
15 Colmore Row
PO Box 3333
Birmingham
B3 2WN

Bank Mendes Gans
Herengracht 619
1017CE Amsterdam
The Netherlands

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their strategic report for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of Coveris Flexibles UK Limited (the "company") is the manufacture and sale of packaging products that are used predominantly in the Food and Consumer markets.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Over the past few years Coveris has significantly invested in the UK Food and Consumer Packaging market through a number of acquisitions, including Coveris Flexibles UK Limited. In order to better serve customers and align the operational performance and strategy of these acquired businesses, during 2014, the Coveris UK Food and Consumer Division was created.

On 30 January 2015, the Coveris UK Food and Consumer Division started a business simplification programme in order to reduce the administrative burden of operating within several legal entities. As a result, the trade and assets of Coveris Flexibles (St Neots) UK Limited were transferred into the company. This has materially impacted the company's results and financial position for 2015 in both the income statement and the balance sheet. Additional disclosures around the transfer of the trade and assets of Coveris Flexibles (St Neots) UK Limited can be found in note 19 in the accounts. As a result of the wider restructuring of the Coveris UK Food and Consumer Division exceptional income of £6.1m has been recognised as intercompany loans made to the company by Coveris (St Neots) UK Limited have been waived.

2015 has been a challenging year and 2016 will continue to be challenging as the company continues to operate in a fiercely competitive environment. The well documented competition between the established supermarkets and the discount chains, changes to consumer buying patterns and the foreign currency fluctuations following the UK's vote to leave the EU have all posed challenges to the company during the start to 2016 and will continue to provide challenges and opportunities going into 2017.

As a result of the above, the decision to close the Norfolk manufacturing site was made which resulted in exceptional costs of £4.2m being incurred mainly in relation to asset write downs, redundancies and provisions for dilapidations and onerous lease costs. The manufacturing performed at this site has been successfully transferred to other manufacturing sites within the company in order to ensure the company can continue to deliver high quality and value to its customers.

Revenues increased by 21.8% to £179.9m (2014: £147.7m) as a result of increases in output volumes and the acquisition of the trade of Coveris Flexibles (St Neots) UK Limited. Despite the tough economic climate, our strategy of investing in our staff and equipment resulted in gross margins of 23.6% (2014: 21.0%), overcoming continued pressures in the UK fresh and chilled supply chain. The gross profit margin in 2016 is expected to marginally decrease as a result of the impact of non-sterling raw materials increasing in price and the changing sales mix driven by changing consumer demand patterns and the new pricing strategies of the major supermarkets. Administrative expenses have increased during the year to £27.8m (2014: £22.7m). The increase is predominantly due to the company taking an increased allocation (£2.1m) of the groups' overhead costs following the transfer of trades from Coveris Flexibles (St Neots) UK Limited. The overall profit before tax for the year has risen to £15.5m (2014: £6.7m). Pre-exceptional EBITDA, which is a key measure of performance within the business was £20.4m (2014: £12.5m).

The level of total fixed assets has increased by £7.4m, due to the capital investment being greater than the annual depreciation charge, and the assets acquired as part of the group restructure.

The group continues to trade well despite the difficult economic climate. Although we foresee that the consumer market will remain challenging, our management team and customer relationships are such that we anticipate continued sustainable growth in the medium to long term.

KEY PERFORMANCE INDICATORS ("KPIs")

Given the straightforward nature of the businesses within the group, the company's directors are of the opinion that analysis using non-financial KPI's, other than that included within the review of business, is not necessary for an understanding of the development, performance or position of the business.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

PRINCIPAL RISKS AND UNCERTAINTIES

The principal and financial risks and uncertainties are managed on a group wide basis. The management of the business and the execution of the group's strategy are subject to a number of principal risks and uncertainties, the most significant being raw material price inflation, product quality and customer relationship/demand management.

Raw material price inflation, either caused by fluctuations in commodity prices or foreign exchange rates, can have an impact on the cost price of the group's products. The group has a dedicated operational team that consolidates the group purchasing to build strong relationships with key suppliers and also ensure that we have sufficient raw materials to meet forecasted demand. Purchasing contracts are agreed in advance in order to minimise the risk of commodity price fluctuations having a negative impact on the group. The group also regularly reviews its operational format and invests in new machinery and techniques in order to minimise raw material stock wastage.

Product quality is of paramount importance as a failure in product quality could have a significant impact on the group. Our raw materials are sourced from a stable supplier base and pass through a number of quality control processes, both at our suppliers and at our manufacturing locations. Suppliers are selected based upon previous experience and we operate approved supplier lists. Batches of products are tested daily for quality to ensure they meet the group's stringent standards, prior to being despatched to our customers.

Maintaining good working relationships with customers is of paramount importance to the group, therefore being able to predict customer demand and responding to customer requests is key to achieving this. The group utilises its own experience to forecast customer demand and also regularly meets with key customers to identify any changes in demand. The group has also invested in a number of manufacturing plants based across the United Kingdom, in upgrading its plant and machinery and in training its dedicated workforce in order to allow the group to respond to changes in demand whilst maintaining its strict quality standards.

FINANCIAL RISK MANAGEMENT

Due to being part of the Coveris group, the financial risk management of the company is managed on a group wide basis by the Coveris Holdings SA central finance team. The financial risk management risks and policies are disclosed in the consolidated financial statements of Coveris Holdings SA. The elements which are controlled by the company are disclosed below:

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash balances and intercompany loans. Interest bearing liabilities comprise bank overdrafts and intercompany loans. The cash assets are subject to interest rate fluctuations as are the bank overdraft liabilities. The UK group intercompany loan liabilities are free from interest. Intercompany loan assets and liabilities within entities outside of the UK have fixed interest rates of 6.5%. The group reviews its interest rate policy on a regular basis.

The company is exposed to liquidity risk. The company has committed financing through its parent undertakings and the group finance team regularly monitor available cash balances and available facilities to ensure that the group has sufficient funds to meet its obligations.

The company is exposed to credit risk as a result of its operations. Prior to sales being made appropriate checks are performed over the ability of the customer to pay. Regular reviews of credit limits and monitoring of the aged debtors ledger are utilised to minimise the risk to the group on an ongoing basis. Credit insurance is also utilised to further mitigate the risk of loss to the Group.

On behalf of the board



K R Bostock - Director
29 September 2016

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2015.

DIVIDENDS

No dividends were declared or paid during the year (2014: £Nil).

FUTURE DEVELOPMENTS AND FINANCIAL RISK MANAGEMENT

These are included within the strategic report.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of signing this report.

I R B Partington
D Patterson
K R Bostock
M E Lapping

EMPLOYEES

Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the bonus schemes linked to operating profit.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

GOING CONCERN

The company has net current liabilities due amounts being drawn down on the company's debt facilities and being lent to other companies and being repayable after more than one year. The directors have received confirmation that the intercompany balances due within one year will only be called for repayment should alternative finance sources be made available and therefore have prepared the financial statements on a going concern basis as the underlying trading budgets for the coming year have highlighted that the company will be profitable and cash generative.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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.

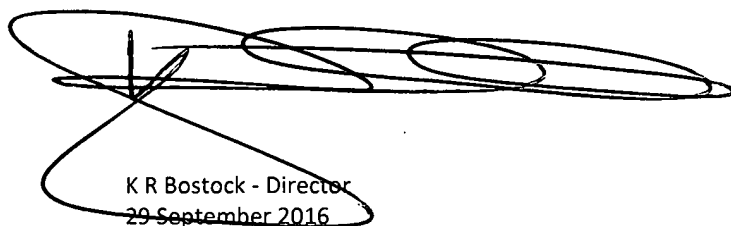
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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

The auditors, PricewaterhouseCoopers LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

By order of the board:



K R Bostock - Director
29 September 2016

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
COVERIS FLEXIBLES UK LIMITED**

Report on the financial statements

Our opinion

In our opinion, Coveris Flexibles UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the strategic report and the report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

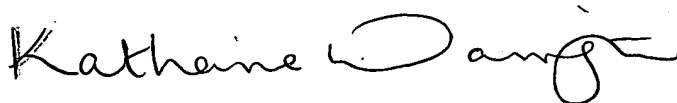
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Katharine Warrington (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
30 September 2016

COVERIS FLEXIBLES UK LIMITED (REGISTERED NUMBER: 02925612)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 (restated note 1) £'000
TURNOVER	2	179,894	147,749
Cost of sales		<u>(137,386)</u>	<u>(116,689)</u>
GROSS PROFIT		42,508	31,060
Administrative expenses		(27,807)	(22,666)
Exceptional administrative expenses	4	<u>(4,227)</u>	<u>-</u>
Total administrative expenses		(32,034)	(22,666)
Exceptional other operating income	4	6,139	-
Other operating income		<u>65</u>	<u>48</u>
Total other operating income		6,204	48
OPERATING PROFIT AND PROFIT BEFORE INTEREST AND TAXATION		16,678	8,442
Interest receivable and similar income	5	2,415	1,617
Interest payable and similar charges	6	<u>(3,628)</u>	<u>(3,393)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	15,465	6,666
Tax on profit on ordinary activities	8	<u>(997)</u>	<u>896</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>14,468</u></u>	<u><u>7,562</u></u>

The notes form part of these financial statements

COVERIS FLEXIBLES UK LIMITED (REGISTERED NUMBER: 02925612)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
PROFIT FOR THE YEAR		14,468	7,562
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>14,468</u></u>	<u><u>7,562</u></u>

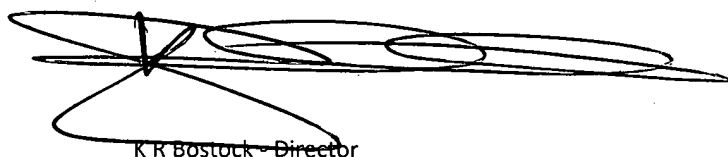
The notes form part of these financial statements

COVERIS FLEXIBLES UK LIMITED (REGISTERED NUMBER: 02925612)

**BALANCE SHEET
31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
FIXED ASSETS			
Intangible assets	9	982	982
Tangible assets	10	28,112	20,734
Debtors: amounts falling due after more than one year	12	44,828	82,156
		<u>73,922</u>	<u>103,872</u>
CURRENT ASSETS			
Stocks	11	12,638	12,071
Debtors: amounts falling due within one year	12	44,847	41,978
Cash at bank and in hand		<u>9,764</u>	<u>3,688</u>
		67,249	57,737
CREDITORS			
Amounts falling due within one year	13	<u>(74,199)</u>	<u>(50,081)</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(6,950)</u>	<u>7,656</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		66,972	111,528
CREDITORS			
Amounts falling due after more than one year	14	(28,740)	(88,227)
PROVISIONS FOR LIABILITIES	16	<u>(1,262)</u>	<u>(799)</u>
NET ASSETS		<u>36,970</u>	<u>22,502</u>
CAPITAL AND RESERVES			
Called up share capital	17	300	300
Retained earnings	18	<u>36,670</u>	<u>22,202</u>
SHAREHOLDERS' FUNDS		<u>36,970</u>	<u>22,502</u>

The financial statements were approved by the Board of Directors on 29 September 2016 and were signed on its behalf by:



K R Bostock - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	300	14,640	14,940
Changes in equity			
Total comprehensive income	-	7,562	7,562
Balance at 31 December 2014	300	22,202	22,502
Changes in equity			
Total comprehensive income	-	14,468	14,468
Balance at 31 December 2015	300	36,670	36,970

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES

Coveris Flexibles UK Limited (the "company") manufactures and sells packaging to predominantly the Food and Consumer markets. The company is a company limited by shares and is incorporated in England. The address of its registered office is Holland Place, Wardentree Park, Pinchbeck, Spalding, Lincolnshire, PE11 3ZN.

Basis of preparation and transition to FRS 101

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The transition to Financial Reporting Standard 101 has been made in accordance with International Financial Reporting Standard 1 "First-time adoption of International Financial Reporting Standards". The only adjustment on transition relates to the amortisation of goodwill. Under the previous UK GAAP this was amortised over the assets useful economic life, under FRS 101 no amortisation is charged from the date of transition. Therefore the amortisation charge for the year ended 31 December 2014 of £228,000 has been reversed. Therefore the Goodwill as at 31 December 2014 has been amended to £982,000 from the previously reported £754,000. This has had no impact on the previously reported net assets as at 1 January 2014 but has increased shareholders' funds as at 31 December 2014 by £228,000 to £22,502,000 (previously reported £22,274,000).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES CONTINUED

Sale of businesses between wholly owned members of the Coveris group

When the trading assets of an entity are transferred between companies wholly under common control the transaction is recorded at the fair value of the consideration paid. The assets acquired are initially recorded at the carrying value prior to the sale taking place, under the predecessor accounting policy. Any excess between the amounts paid and the net assets acquired is accounted for as goodwill. If the transfer is between a direct subsidiary and a parent company then the investment carrying value in the parent entity is transferred to goodwill where the net assets of the subsidiary are no longer supportable as this is in effect part of the cost of the acquisition for the parent entity.

Turnover

Turnover represents sales to external customers and is measured at fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty. Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on receipt of the goods at customer's premises. Turnover is stated after deducting all related agreements, for example retrospective adjustments to revenue. At the balance sheet date the amounts expected to be reclaimed under agreements with customers are accrued for and deducted from revenue. In line with GSCOP guidance these amounts are held in accruals to the shorter of settlement with the customer or two full accounting periods since the accrual was created.

Finance and operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Costs in respect of operating leases are charged on a straight line basis over the lease period to the next rent review. Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

Consolidation

The company is a wholly owned subsidiary of Coveris Labels Holdings UK Limited and of its ultimate parent undertaking, a private equity investment fund advised by an affiliate of Sun Capital Partners Inc. It is included in the consolidated financial statements of Coveris Holdings SA which are publically available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Prior year restatement

In reviewing the financial statements for compliance with FRS 101 the directors have become aware that distribution costs were previously reported within administrative expenses. Upon reflection, these are more accurately presented within cost of sales as they directly relate to the cost of making a sale to customers. Therefore the prior year distribution costs of £4,707,000 have been reclassified to cost of sales from administrative expenses. This has no impact on the previously reported net assets as at 31 December 2014 or the profit for the financial year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES - continued

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The company's financial assets include cash and short-term deposits, trade and other receivables and loan notes.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES – continued

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Raw materials, consumables and goods for resale are determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Goodwill

Goodwill arises on the acquisition of subsidiaries and is the difference between the fair value of consideration paid and the net assets acquired. Goodwill is not amortised but reviewed annually for impairment annually. The carrying value of the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is not amortised.

Going concern

The company has net current liabilities due amounts being drawn down on the company's debt facilities and being lent to other companies and being repayable after more than one year. The directors have received confirmation that the intercompany balances due within one year will only be called for repayment should alternative finance sources be made available and therefore have prepared the financial statements on a going concern basis as the underlying trading budgets for the coming year have highlighted that the company will be profitable and cash generative.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% to 10% on cost
Leasehold property	- over the period of the lease
Plant and machinery	- 6.67% to 50% on cost
Fixtures and fittings	- 15% to 33% on cost
Motor vehicles	- 25% on cost

Land is not depreciated. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required they are made retrospectively.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES - continued

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

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 a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- 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 substantially enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Employee benefit costs

The company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES - continued

Judgement and key sources of estimation uncertainty

The preparation of 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:

Impairment of assets

The future recoverability of assets (being Goodwill, debtors and tangible fixed assets) requires the use of judgement as it requires management to make estimates and judgements in relation to future cash flows. These estimates could be impacted by events and circumstances outside of the control of management, for example a deterioration in the financial health of a major customer or significant deterioration in the UK economy as a whole. In making their assessment management have utilised the latest financial performance budgets.

Useful economic lives of tangible fixed assets and residual values

The tangible fixed assets are depreciated over their useful economic lives to their expected residual value. A change in technology or other such events could have an impact on both. Each year the assets are reviewed and their useful economic lives and residual values are adjusted, as and when required.

Revenue recognition

Revenue is recognised based upon agreed terms with customers and accepted delivery of goods. However, as is common place within the UK Food Industry, agreements are often entered into with customers which retrospectively adjust the invoiced price. These adjustments are often based upon the achievement of variable criteria, for example sales growth year on year or the achievement of sales volume targets. The period of these agreements is often not coterminous with the company's financial year and therefore estimates are required of the likely amounts to be claimed by customers based upon sales made during the year. The settlement of these liabilities could be at differing values to those predicted at the year end for a number of reasons; for example post year end under/over performance in sales forecasts or negotiations made subsequent to the year end.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

	2015	2014
	£'000	£'000
United Kingdom	173,223	143,109
Europe	5,644	4,374
Other countries	1,027	266
	<u>179,894</u>	<u>147,749</u>

3. EMPLOYEES AND DIRECTORS

	2015	2014
	£'000	£'000
Wages and salaries	37,285	29,559
Social security costs	3,242	2,870
Other pension costs	993	964
	<u>41,520</u>	<u>33,393</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

3. EMPLOYEES AND DIRECTORS - continued

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

	2015	2014
Directors	4	4
Production	1,007	806
Administration	<u>300</u>	<u>273</u>
	<u>1,311</u>	<u>1,083</u>

The Directors were remunerated by other group companies and therefore the disclosure of their emoluments is included within the disclosures made for those companies.

4. EXCEPTIONAL ITEMS

	2015 £'000	2014 £'000
Exceptional administrative expenses - closure of Norfolk site	4,227	-
Exceptional other operating income - Intercompany loans waived	(6,139)	-

In 2015 the company closed down its operations at its Norfolk manufacturing site, incurring £4,227,078 of costs in relation to asset write downs, staff redundancies and costs associated with exiting the leased properties.

During 2015, the Coveris UK Food and Consumer group performed a business simplification resulting in the trade and assets of Coveris Flexibles (St Neots) UK Limited being transferred into Coveris Flexibles UK Limited. As part of this transfer, intercompany loans of £6,139,000 (2014: £Nil) from other group companies were waived.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Deposit account interest	3	-
Intercompany interest	<u>2,412</u>	<u>1,617</u>
	<u>2,415</u>	<u>1,617</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Bank loan interest	1,759	1,525
Intercompany interest	<u>1,869</u>	<u>1,868</u>
	<u>3,628</u>	<u>3,393</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2015 £'000	2014 £'000
Cost of inventories recognised as expense	68,921	56,833
Depreciation - owned assets	5,612	4,057
Profit on disposal of fixed assets	(18)	(186)
Auditors' remuneration	94	66
Foreign exchange differences	69	4
Operating lease - land and buildings	2,991	2,317
Operating lease - other	<u>1,198</u>	<u>1,195</u>

8. TAXATION**Analysis of tax expense/(income)**

	2015 £'000	2014 £'000
Current tax:		
Corporation tax	614	426
Adjustment in respect of previous years:		
Corporation tax	<u>313</u>	<u>(937)</u>
Total current tax	<u>927</u>	<u>(511)</u>
Deferred tax:		
Deferred tax	5	(145)
Impact of change in tax rates	(119)	-
Adjustment in respect of previous years:	<u>184</u>	<u>(240)</u>
Total deferred tax	<u>70</u>	<u>(385)</u>
Total tax expense/(income) in income statement	<u>997</u>	<u>(896)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

8. TAXATION - continued

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before income tax	<u>15,465</u>	<u>6,666</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	3,132	1,433
Effects of:		
(Income) not taxable and expenses not deductible for tax purposes	(1,164)	196
Re-measurement of deferred tax - change in UK tax rate	(119)	-
Other - R&D tax credit	(33)	(55)
Adjustments to tax charge in respect of prior years	497	(1,226)
Group relief for nil consideration	(1,316)	(1,244)
	<u>997</u>	<u>(896)</u>
Tax expense/(income)	<u>997</u>	<u>(896)</u>

Factors affecting the future tax expenses

On 2 July 2013 changes to the UK Corporation tax rates were substantively enacted reducing the corporation tax rate in the UK to 20% from 1 April 2015. Further reductions to reduce the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 18 November 2015. Any deferred tax expected to reverse in the year to 31 December 2015 has been re-measured using the rates substantively enacted at 31 December 2015. A further reduction was included in the 16 March 2016 budget to reduce the corporation tax rate to 17%. However, this rate has not been substantially enacted and has therefore not been used to calculate tax balances within these financial statements. The impact of this adjustment will be immaterial to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1 January 2015 and 31 December 2015	<u>1,898</u>
AMORTISATION	
At 1 January 2015 and 31 December 2015	<u>916</u>
NET BOOK VALUE	
At 31 December 2015	<u>982</u>
At 31 December 2014	<u>982</u>

10. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
COST					
At 1 January 2015	2,833	42,231	8,093	155	53,312
Additions	55	4,051	3,444	5	7,555
Disposals	(220)	(2,124)	(821)	(16)	(3,181)
Acquired (note 19)	<u>8</u>	<u>11,069</u>	<u>833</u>	<u>25</u>	<u>11,935</u>
At 31 December 2015	<u>2,676</u>	<u>55,227</u>	<u>11,549</u>	<u>169</u>	<u>69,621</u>
DEPRECIATION					
At 1 January 2015	885	25,253	6,288	152	32,578
Charge for year	73	4,586	951	2	5,612
Eliminated on disposal	(126)	(1,669)	(796)	(16)	(2,607)
Acquired (note 19)	<u>2</u>	<u>5,131</u>	<u>768</u>	<u>25</u>	<u>5,926</u>
At 31 December 2015	<u>834</u>	<u>33,301</u>	<u>7,211</u>	<u>163</u>	<u>41,509</u>
NET BOOK VALUE					
At 31 December 2015	<u>1,842</u>	<u>21,926</u>	<u>4,338</u>	<u>6</u>	<u>28,112</u>
At 31 December 2014	<u>1,948</u>	<u>16,978</u>	<u>1,805</u>	<u>3</u>	<u>20,734</u>

Included in cost of land and buildings is freehold land of £132,000 (2014: £132,000) which is not depreciated.

As the assets transferred under the group reconstruction were transferred using predecessor values the original asset cost and accumulated depreciation have been included in the above summary table.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

11. STOCKS

	2015 £'000	2014 £'000
Raw materials	3,107	3,924
Finished goods	<u>9,531</u>	<u>8,147</u>
	<u>12,638</u>	<u>12,071</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Inventories are stated after provisions for impairment of £730,109 (2014: £429,197)

12. DEBTORS

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	36,695	33,943
Amounts owed by group undertakings	3,927	-
Other debtors	2,587	3,200
Corporation tax	-	2,999
Prepayments	<u>1,638</u>	<u>1,836</u>
	<u>44,847</u>	<u>41,978</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>44,828</u>	<u>82,156</u>
Aggregate amounts	<u>89,675</u>	<u>124,134</u>

Trade debtors are stated after making provisions for impairment of £325,290 (2014: £302,706).

Amounts owed by group undertakings which are repayable within one year are unsecured, interest free and repayable on demand.

Amounts owed by group undertaking due after more than one year relate to principal loan balances with entities located elsewhere totalled £40.7m (2014: £30.9m) and attracted interest of £4.1m (2014: £1.8m) at a rate of 6.5%. Amounts owed by group undertakings due after more than one year in the prior year amounting to £49.5m were settled in January 2015 as part of the group restructuring.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Bank loans and overdrafts (see note 15)	17,682	13,163
Trade creditors	22,616	23,364
Amounts owed to group undertakings	16,821	-
Corporation tax	176	-
Other taxes and social security	2,153	2,723
Other creditors	2,684	160
Accruals and deferred income	<u>12,067</u>	<u>10,671</u>
	<u>74,199</u>	<u>50,081</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The bank overdrafts are secured by a fixed and floating charge over certain of the company assets and accrues interest at variable rates.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Amounts owed to group undertakings	<u>28,740</u>	<u>88,227</u>

Amounts owed to group undertakings relate to principal loan balances with entities located outside of the UK and totalled £28.7m (2014: £31.1m) and attracted interest at a rate of 6.5%. Rolled up interest at 31 December 2015 amounted to £Nil (2014: £1.7m). The other balances in the prior year related to balances with other UK companies which were settled in January 2015 as part of the group restructuring.

15. FINANCIAL LIABILITIES - BORROWINGS

	2015 £'000	2014 £'000
Current:		
Bank loans and overdrafts	<u>17,682</u>	<u>13,163</u>

Terms and debt repayment schedule

	1 year or less £'000
Bank loans and overdrafts	<u>17,682</u>

The bank overdrafts are secured by a fixed and floating charge over certain of the company assets and accrues interest at variable rates.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

16. PROVISIONS FOR LIABILITIES

	2015 £'000	2014 £'000
Deferred tax		
Other timing differences	-	(110)
Accelerated capital allowances	<u>1,262</u>	<u>909</u>
	<u>1,262</u>	<u>799</u>
		Deferred tax
Balance at 1 January 2015		£'000
Acquired during the year (note 19)		799
Charge to Income Statement during year		393
		<u>70</u>
Balance at 31 December 2015		<u>1,262</u>

Deferred tax is provided where there is reasonable certainty over the recovery of the asset, with regard to future taxable profits. It is expected that there will be sufficient trading profits in the company in the foreseeable future, against which the deferred tax assets will be utilised.

Deferred tax has been provided at rates between 18% and 20% (2014:20%)

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2015	2014
Number:	Class:	Nominal value:	£'000	£'000
300,000	Ordinary	£1	<u>300</u>	<u>300</u>

18. RESERVES

	Retained earnings £'000
At 1 January 2015	22,202
Profit and total comprehensive income for the year	14,468
	<u>36,670</u>
At 31 December 2015	<u>36,670</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

19. BUSINESS COMBINATIONS

On 30 January 2015, the company acquired 100% of the trade and assets of Coveris Flexibles (St Neots) UK Limited for £10,463,581.

The following table summarises the consideration paid for Coveris Flexibles (St Neots) UK Limited; the fair value of assets acquired and liabilities assumed:

	£'000
Consideration at 30 January 2015	
Cash	10,464
Share capital	<u>2</u>
Total consideration	<u><u>10,466</u></u>
 Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,478
Property, plant and equipment	6,009
Inventories	2,633
Trade and other receivables	8,347
Trade and other payables	(6,246)
Borrowings	(2,362)
Deferred tax liabilities	<u>(393)</u>
Total	<u><u>10,466</u></u>

The revenue included in the statement of comprehensive income since 30 January 2015 contributed by the trade of the former company Coveris Flexibles (St Neots) UK Limited was £32,571,545. The trade of the former company Coveris Flexibles (St Neots) UK Limited also contributed profit of £2,443,179 over the same period.

20. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. Contributions payable are charged in the income statement. At 31 December 2015 £137,858 (2014: £121,013) was outstanding.

21. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is Coveris Labels Holdings UK Limited.

The ultimate parent undertaking and controlling party of the Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

The largest and smallest company to consolidate the results and financial position of the company is that headed by Coveris Holdings SA. These consolidated financial statements are available from www.coveris.com.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

22. CONTINGENT LIABILITIES

As part of the debt obtained by Coveris Holdings SA, for certain elements of the debt, each subsidiary undertaking of Coveris Holdings SA was included as a guarantor of the debt. The company was a guarantor under three separate facilities as of 31 December 2015. Details of the group financing arrangements are included within the consolidated financial statements of Coveris Holdings SA which are publicly available at www.coveris.com. In the opinion of the directors no liability is expected to arise from this obligation.

23. CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Contracted but not provided for in the financial statements	<u>246</u>	<u>469</u>

24. OPERATING LEASE COMMITMENTS

The company had minimum lease payments for operating leases as follows:

	Land and buildings	
	2015 £'000	2014 £'000
Net obligations repayable:		
Within one year	2,745	2,317
Between one and five years	8,160	9,614
After more than five years	<u>6,099</u>	<u>7,390</u>
	<u>17,004</u>	<u>19,321</u>
	Other	
	2015 £'000	2014 £'000
Net obligations repayable:		
Within one year	699	788
Between one and five years	784	1,406
After more than five years	<u>-</u>	<u>-</u>
	<u>1,483</u>	<u>2,194</u>