

Rexam Coated Products Limited

Company Number 2567499

Directors' Report

The directors present their report and the accounts of the Company for the year ended 31 December 1998.

Activities

The Company transferred its coated films and papers business to Rexam Custom Limited on 1 January 1998 and its investment in Smith & McLaurin Limited to Rexam PLC on 10 March 1998.

Results and Dividends

The loss for the year amounted to £2,681,000. The directors do not recommend payment of a dividend.

Directors

The following persons held office during the year:

S A Bull	
D W Gibson	(appointed 17 April 1998)
A D Parker	(resigned 17 April 1998)
A P Rigby	(resigned 17 April 1998)
D A Smith	(resigned 17 April 1998)
P J Venner	



Directors' Interests

The directors who held office at the end of the year were interested (as defined in the Companies Act 1985 and according to the Register maintained thereunder) in shares in Rexam PLC as follows:

	Ordinary Shares*		Share Options** Executive 1984		Share Options** Executive 1997		Share Options** SAYE		Share Options** Long Term Incentive (Maximum Shares)	
	1.1.98***	31.12.98	1.1.98***	31.12.98	1.1.98***	31.12.98	1.1.98***	31.12.98	1.1.98***	31.12.98
S A Bull	28,658	22,289	53,511	53,511	68,988	147,391	4,980	1,716	37,900	26,500
D W Gibson	8,725	8,598	18,852	18,852	137,444	137,444	7,045	10,714	14,000	14,000
P J Venner	202	157	20,000	20,000	10,945	22,923	0	6,055	0	0

* The number of shares held by each director at 31 December 1998 has been adjusted to reflect the reorganisation of Rexam PLC's share capital through a return of capital to shareholders in October 1998.

** Details of the share option schemes can be found in the report and accounts of Rexam PLC.

*** Or date of appointment if later.

Preparation of Accounts

This statement, which should be read together with the auditors report overleaf, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that it is appropriate to use the going concern basis in preparing the accounts on pages 4 to 14. Appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates and all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enables them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Year 2000 Compliance


The Company, as part of the Rexam Group, has implemented a programme for addressing the problems associated with the Year 2000 date issue. The programme has been co-ordinated to identify the risks and address compliance within business, production and facility systems. It also involves review of customer and supplier systems where failures could impact the Company. Regular reporting of the status of the Group's plans is made to the Board of Rexam and this will continue throughout the coming year. While we are confident that our systems will be compliant we cannot be certain that those we trade with will achieve compliance. We are therefore continuing to discuss these issues with our key suppliers and customers so as to reduce the possible disruption to our business.

Full details of the cost of the Year 2000 Group programme have been disclosed in the report and accounts of Rexam PLC. No Year 2000 costs have been incurred directly by the Company during the financial year and it is anticipated that no costs will be incurred in respect of the year ending 31 December 1999.

Auditors

Ernst & Young remain in office as auditors.

By order of the Board


Secretaries
B-R Secretarial Limited
Secretary

Date 8 SEPTEMBER 1999

Rexam Coated Products Limited

Auditors' Report

Report of the auditors to the members of Rexam Coated Products Limited

We have audited the accounts on pages 4 to 14, which have been prepared under the historical cost convention, modified by the revaluation of freehold land and buildings and long leaseholds, and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

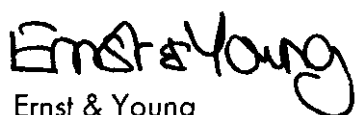
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

Date 14 September 1999

Rexam Coated Products Limited
Year Ended 31 December 1998

Profit and Loss Account

	Notes	1998 £'000	1997 £'000
Turnover - discontinued operations	(2)	-	35,632
Operating charges	(3)	-	(32,436)
		<hr/>	<hr/>
Operating profit- discontinued operations	(5)	-	3,196
Loss on the sale of investments		(3,498)	-
Income from group undertakings		-	250
Interest payable and similar charges	(7)	-	(1,909)
Interest receivable and similar income	(8)	2	297
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(3,496)	1,834
Tax on (loss)/profit on ordinary activities	(9)	815	(96)
		<hr/>	<hr/>
(Loss)/profit retained for the financial year	(19)	(2,681)	1,738
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £2,681,000 in the year ended 31 December 1998 and the profit attributable of £1,738,000 in the year ended 31 December 1997.

Details of reserve movements are shown in note 19.

Rexam Coated Products Limited
Year Ended 31 December 1998
Balance Sheet as at 31 December

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	(10)	-	20,396
Investments	(11)	-	5,745
		<u>-</u>	<u>26,141</u>
Current assets			
Stocks	(12)	-	2,409
Debtors: receivable within one year	(13)	7,937	12,641
Cash at bank and in hand		-	301
		<u>7,937</u>	<u>15,351</u>
Creditors :			
Amounts falling due within one year	(14)	-	(4,536)
Net current assets		<u>7,937</u>	<u>10,815</u>
Total assets less current liabilities		7,937	36,956
Creditors:			
Amounts falling due after more than one year	(15)	-	(25,500)
Provision for liabilities and charges	(16)	-	(838)
		<u>7,937</u>	<u>10,618</u>
Capital and reserves			
Equity:			
Called up share capital	(17)	8,328	8,328
Share premium account	(19)	11,211	11,211
Revaluation reserve	(19)	-	385
Profit and loss account	(19)	(11,602)	(9,306)
		<u>7,937</u>	<u>10,618</u>

Approved by a Board Resolution dated 8 SEPTEMBER 1999


Director

Rexam Coated Products Limited

Year Ended 31 December 1998

1. Accounting Policies

Accounting convention

These accounts have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings and long leaseholds, and in accordance with applicable Accounting Standards.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Depreciation

Depreciation is calculated to write-off the book value of tangible fixed assets over their expected useful life, except that depreciation is not provided on freehold land or assets under construction.

Tangible assets are depreciated at the following rates:

Buildings	- over 40 years
Plant and machinery	- over 10 to 18 years
Motor vehicles	- over 3 to 7 years

Leasing

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Investments are held at cost or directors' valuation

Stocks and work in progress

Stocks are stated at the lower of cost, including production overheads, and net realisable value.

Rexam Coated Products Limited

Year Ended 31 December 1998

Accounting policies (continued)

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 exchange differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided using the liability method on all significant timing differences between accounting and taxable profit, to the extent that it is probable that the taxation liability or asset will crystallise in the foreseeable future.

Pension costs

The expected cost of providing pensions in respect of defined benefit schemes is charged to the profit and loss account over the estimated service lives of the employees in the schemes.

2. Turnover

Turnover represents the net amount receivable for goods supplied and services provided to external customers after deducting value added and sales taxes.

Turnover arises wholly from the manufacture of precision coated films and paper for the imaging market. An analysis of turnover by geographical market is given below:

	1998 £'000	1997 £'000
Europe	-	21,291
The Americas	-	8,853
Rest of the world	-	5,488
	<hr/>	<hr/>
	-	35,632
	<hr/>	<hr/>

All turnover and profit before taxation originates in the United Kingdom and all net assets are located in the United Kingdom.

Rexam Coated Products Limited
Year Ended 31 December 1998

3. Operating charges

	1998 £'000	1997 £'000
Raw materials and consumables	-	13,345
Change in finished goods and work in progress	-	232
Staff costs	-	7,593
Depreciation	-	2,418
Other operating charges	-	8,668
Exceptional items (Note 4)	-	180
	<hr/>	<hr/>
	-	32,436
	<hr/>	<hr/>

4. Exceptional items

	1998 £'000	1997 £'000
Provision for costs of reorganisation	-	180
	<hr/>	<hr/>
	-	180
	<hr/>	<hr/>

5. Operating profit

	1998 £'000	1997 £'000
This is stated after charging:		
Profit on disposal of fixed assets	-	1
Research and development	-	268
Auditors remuneration - audit services	-	25
Operating lease rentals - hire of plant and machinery	-	19
- land and buildings	-	77

6. Staff costs

	1998 £'000	1997 £'000
Wages and salaries	-	6,265
Social security costs	-	614
Other pension costs	-	714
	<hr/>	<hr/>
	-	7,593
	<hr/>	<hr/>

Rexam Coated Products Limited
Year Ended 31 December 1998

6. Staff costs (continued)

The average weekly number of employees during the period was:

	1998	1997
Manufacturing and production	-	234
Research and development	-	11
Sales and administration	-	51
	<u>-</u>	<u>296</u>

7. Interest payable and similar charges

	1998 £'000	1997 £'000
Parent undertaking	-	1,909
	<u>-</u>	<u>1,909</u>

8. Interest receivable and similar income

	1998 £'000	1997 £'000
Fellow subsidiary undertaking	-	232
Bank interest and other loans	2	65
	<u>2</u>	<u>297</u>

9. Tax on profit on ordinary activities

	1998 £'000	1997 £'000
Based on profit for the year		
Corporation tax at 31% (1997: 31.5%)	-	405
Advance corporation tax	-	(255)
Prior year adjustment	23	-
Deferred tax	(838)	(54)
	<u>(815)</u>	<u>96</u>

Rexam Coated Products Limited
Year Ended 31 December 1998

10. Tangible fixed assets

	Freehold Land and Landings £'000	Plant, Machinery and Vehicles £'000	Assets under Construct'n £'000	Total £'000
Cost or valuation:				
At 1 January 1998	5,592	26,036	662	32,290
Transfer to parent undertaking	(5,592)	(26,036)	(662)	(32,290)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1 January 1998	650	11,244	-	11,894
Transfer to parent undertaking	(650)	(11,244)	-	(11,894)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 December 1998	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	4,942	14,792	662	20,396
	<hr/>	<hr/>	<hr/>	<hr/>

Rexam Coated Products Limited

Year Ended 31 December 1998

11. Investments

	1998 £'000
At 1 January	5,745
Disposals	<u>(5,745)</u>
At 31 December	<u><u>-</u></u>

The subsidiary undertaking at 31 December 1998, which is wholly owned and incorporated in Great Britain is as follows:

Subsidiary undertaking	Registered in	Class of shares	Nature of business
Bowater SCG Ltd	England & Wales	Ordinary	Non trading

Group accounts have not been prepared as the Company is a wholly owned subsidiary undertaking of Rexam PLC, a company established under the law of a member state of the European Union. Group accounts have been prepared by the ultimate parent undertaking, Rexam PLC.

On 1 January 1998, the business of Rexam Coated Products Limited was transferred to the parent undertaking of the Company, Rexam Custom Limited, at net book value. On 10 March 1998, the investment in Smith & McLaurin was sold to a parent undertaking, Rexam PLC, for consideration of £2,250,000.

12. Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	-	986
Work in progress	-	463
Finished goods and goods for resale	-	960
	<u>-</u>	<u>2,409</u>
	<u><u>-</u></u>	<u><u>2,409</u></u>

13. Debtors: receivable within one year

	1998 £'000	1997 £'000
Trade debtors	-	4,398
Due from a parent undertaking	7,937	-
Due from fellow subsidiary undertakings	-	7,585
Other debtors	-	485
Prepayments and accrued income	-	173
	<u>7,937</u>	<u>12,641</u>
	<u><u>7,937</u></u>	<u><u>12,641</u></u>

Rexam Coated Products Limited
Year Ended 31 December 1998

14. Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	-	3,160
Due to parent and fellow subsidiary undertakings	-	542
Taxation	-	94
Other taxes and social security costs	-	193
Fixed asset creditor	-	101
Other creditors	-	384
Other accruals	<u>-</u>	<u>62</u>
	-	4,536
	<u>-</u>	<u>4,536</u>

15. Creditors: amounts falling due after one year

	1998 £'000	1997 £'000
Due to parent and fellow subsidiary undertakings	<u>-</u>	<u>25,500</u>

16. Provision for Liabilities and charges

	Deferred Taxation £'000	Total £'000
At 1 January 1998	838	838
Profit and loss account	<u>(838)</u>	<u>(838)</u>
At 31 December 1998	<u>-</u>	<u>-</u>

17. Equity Share Capital

	1998 £'000	1997 £'000
Authorised, allotted, called up and fully paid		
3,750,100 Ordinary shares of £1 each	3,750	3,750
4,577,500 Redeemable Ordinary shares of £1 each	<u>4,578</u>	<u>4,578</u>
	<u>8,328</u>	<u>8,328</u>

Rexam Coated Products Limited

Year Ended 31 December 1998

Equity Share Capital (continued)

The redeemable ordinary shares ("redeemable shares") rank pari passu in all respects with the ordinary shares in issue, with the exception that the redeemable shares are redeemable at the option of the Company at par together with an amount equal to any premium payable. The redemption can be effected only on 30 June and 31 December in each year upon not less than 7 days notice to the holders, and the redeemable shares must be redeemed in tranches of not less than 50,000 shares.

18. Movement in shareholders' funds

	1998 £'000	1997 £'000
Opening shareholders' funds	10,618	8,880
(Loss)/profit retained for the financial year	(2,681)	1,738
	<hr/>	<hr/>
Closing shareholders' funds	7,937	10,618
	<hr/>	<hr/>

19. Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 1998	11,211	385	(9,306)
Transfer	-	(385)	385
Retained loss for the year	-	-	(2,681)
	<hr/>	<hr/>	<hr/>
At 31 December 1998	11,211	-	(11,602)
	<hr/>	<hr/>	<hr/>

Rexam Coated Products Limited

Year Ended 31 December 1998

20. Capital expenditure commitments

	1998	1997
	£'000	£'000
Future capital expenditure at 31 December for which contracts have been placed	-	66
	<u> </u>	<u> </u>

21. Other financial commitments

	1998	1997
	£'000	£'000
Plant and machinery		
Within one year	-	1
	<u> </u>	<u> </u>
	-	1
	<u> </u>	<u> </u>

22. The Company is a wholly owned subsidiary undertaking of Rexam PLC and therefore has not prepared a cash flow statement and is exempt from making additional disclosure of related party transactions.

23. During the year the Company was a member of the Rexam PLC VAT group. As a member of the Rexam PLC Group for VAT purposes, the Company has joint and several liability for all amounts due to H M Customs and Excise under this arrangement. The Group continues to trade profitably and the directors do not foresee the crystallisation of any liability under this arrangement.

24. The ultimate parent undertaking is Rexam PLC, which is incorporated in Great Britain and registered in England and Wales. Copies of the Group accounts can be obtained from Rexam PLC, 114 Knightsbridge, London SW1X 7NN.

rexcp1205-pl
26.8.99