

Rexam Coated Products Limited

Year Ended 31 December 1997

Registration No: 2567499



Directors' Report

The directors present their report and the accounts of the Company for the year ended 31 December 1997.

Activities

The principal activity of the Company is the production of coated films and papers for the imaging market and to act as a holding company. On 1 January 1998 the Company transferred its business to Rexam Custom Limited. On 10 March 1998 the Company transferred its investment in Smith and McLaurin Limited to rexam PLC.

Results and Dividends

The profit for the year amounted to £ 1,738,000 (1996: £1,933,000). The directors do not recommend payment of a dividend. (1996: £nil).

Fixed Assets

The movement on tangible assets are shown in note 10 to the accounts on page 12.

Creditor Payment Policy

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. The policy is to agree with suppliers the terms of payment and make payment to suppliers in accordance with these terms, provided that suppliers have complied with all relevant terms and conditions.

The Company had 52 days purchases outstanding at 31 December 1997 based on the 1997 average daily amount invoiced by suppliers.

Research and Development

The Company carries on research and development in the fields of precision coating imaging films and coated paper products.

Employment Policy

The Company recognises the mutual benefits of communication, consultation and employee involvement at all levels. Each business has developed a communication network appropriate to its needs, and there is no fixed pattern of style. During the period the Company has continued the flow of information to its employees and efforts are being made to improve the consultative process.

Disabled persons are employed and trained wherever their aptitudes allow and suitable vacancies are available. Where an employee becomes disabled an attempt is made to continue his or her employment and to arrange appropriate retraining or transfer if necessary.

Directors

The following persons held office during the year:

S A Bull
A D Parker
A P Rigby
D A Smith
P J Venner

Mr A D Parker, Mr A P Rigby and Mr D A Smith resigned as directors on 17 April 1998 and Mr D W Gibson was appointed a director on 17 April 1998.

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 of 50p each		Share Options ** Executive (1984)		Share Options ** Executive (1997)	
	1.1.97	31.12.97	1.1.97	31.12.97	1.1.97	31.12.97
S A Bull	28,658	28,658	53,511	53,511	-	68,988
A D Parker	-	-	14,000	14,000	-	8,451
A P Rigby	-	-	14,000	14,000	-	-
D A Smith	-	-	32,000	32,000	-	11,393
P J Venner	202	202	20,000	20,000	-	10,945

Directors' Interests continued

	Share Options** SAYE		Share Options** Long Term Incentive (Maximum shares)	
	1.1.97	31.12.97	1.1.97	31.12.97
S A Bull	4,980	4,980	37,900	37,900
A D Parker	4,705	4,019	-	-
A P Rigby	3,847	3,651	-	-
D A Smith	4,387	3,651	-	-
P J Venner	-	-	-	-

** full details of the share option schemes can be found in the Report and Accounts of Rexam PLC.

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 5 to 16. 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.

Auditors

Ernst & Young remain in office as auditors.

By order of the Board.

B-R Secretariat Limited

 Secretaries

By  (Director)
B-R Secretariat Limited

Secretary

Date 22 OCTOBER 1998

Rexam Coated Products Limited
Year Ended 31 December 1997

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Auditors' Report

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

We have audited the accounts on pages 5 to 16, 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 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

23 October 1998.

Profit and Loss Account

	Note	1997	1996
		£'000	£'000
Turnover - continuing operations	(2)	35,632	40,347
Operating charges	(3)	(32,436)	(36,579)
Operating Profit - continuing operations	(5)	3,196	3,768
Income from group undertakings		250	-
Interest payable and similar charges	(7)	(1,909)	(1,937)
Interest receivable and similar income	(8)	297	102
Profit on ordinary activities before taxation		1,834	1,933
Tax on profit on ordinary activities	(9)	(96)	-
Profit retained for the financial year	(19)	1,738	1,933

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £1,738,000 in the year ended 31 December 1997 and the profit attributable of £1,933,000 in the year ended 31 December 1996.

Details of reserve movements are shown in note 19.

Rexam Coated Products Limited
Year Ended 31 December 1997

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Note of historical cost profits and losses

	1997 £'000	1996 £'000
Reported profits on ordinary activities before taxation	1,834	1,933
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(20)	(20)
Historical cost profit on ordinary activities before taxation	<u>1,814</u>	<u>1,913</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,718</u>	<u>1,913</u>

Rexam Coated Products Limited
Year Ended 31 December 1997

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Balance Sheet as at 31 December

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	(10)	20,396	21,928
Investments	(11)	5,745	5,745
		<u>26,141</u>	<u>27,673</u>
Current assets			
Stocks	(12)	2,409	2,025
Debtors: receivable within one year	(13)	12,641	8,718
Cash at bank and in hand		301	1,714
		<u>15,351</u>	<u>12,457</u>
Creditors :			
amounts falling due within one year	(14)	(4,536)	(4,730)
Net current assets		<u>10,815</u>	<u>7,727</u>
Total assets less current liabilities		<u>36,956</u>	<u>35,400</u>
Creditors:			
amounts falling due after more than one year	(15)	(25,500)	(25,500)
Provision for liabilities and charges	(16)	(838)	(1,020)
		<u>10,618</u>	<u>8,880</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	385
Profit and loss account	(19)	(9,306)	(11,044)
		<u>10,618</u>	<u>8,880</u>

Approved by a Board Resolution dated 21 OCTOBER 1998


 Director

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 and hire purchase commitments

Assets held under finance leases, which transfer to the lessee all the benefits and risks of ownership, are included in the balance sheet at the value of the capital element of the related rental obligations less accumulated depreciation. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis over the lease term.

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.

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 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. All turnover relates to continuing operations.

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:

	1997 £'000	1996 £'000
Europe	21,291	22,104
The Americas	8,853	11,158
Rest of the world	5,488	7,085
	<u>35,632</u>	<u>40,347</u>

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

3. Operating charges

	1997 £'000	1996 £'000
Raw materials and consumables	13,345	14,927
Change in finished goods and work in progress	232	755
Staff costs	7,593	8,240
Depreciation	2,418	2,368
Other operating charges	8,668	9,228
Exceptional items (Note 4)	180	1,061
	<u>32,436</u>	<u>36,579</u>

All operating charges relate to continuing operations

4. Exceptional items

	1997 £'000	1996 £'000
Provision for costs of reorganisation	180	461
Writedown of plant & machinery	-	600
	<u>180</u>	<u>1,061</u>

5. Operating profit

	1997 £'000	1996 £'000
This is stated after charging:		
Profit on disposal of fixed assets	1	15
Depreciation on assets held under finance leases	-	8
Research and development	268	417
Auditors remuneration	25	26
	- audit services	
	- non audit services	-
Operating lease rentals	19	27
	- hire of plant and machinery	
	- land and buildings	77

6. Staff costs

	1997 £'000	1996 £'000
Wages and salaries	6,265	7,238
Social security costs	614	577
Other pension costs	714	425
	<u>7,593</u>	<u>8,240</u>

6. Staff costs (continued)

The average weekly number of employees (including directors) during the period was:

	1997	1996
Manufacturing and production	234	271
Research and development	11	11
Sales and administration	51	67
	<u>296</u>	<u>349</u>

7. Interest payable and similar charges

	1997 £'000	1996 £'000
Parent undertaking	1,909	1,487
Fellow subsidiary undertakings	-	449
Finance leases	-	1
	<u>1,909</u>	<u>1,937</u>

8. Interest receivable and similar income

	1997 £'000	1996 £'000
Fellow subsidiary undertaking	232	33
Bank interest and other loans	65	69
	<u>297</u>	<u>102</u>

9. Tax on profit on ordinary activities

	1997 £'000	1996 £'000
Based on profit for the year		
Corporation tax at 31.5% (1996: 33%)	405	-
Advance corporation tax	(255)	-
Deferred tax	(54)	-
	<u>96</u>	<u>-</u>

10. Tangible fixed assets

	Freehold Land and Buildings £'000	Plant, Machinery and Vehicles £'000	Assets under Construct'n £'000	Total £'000
Cost or valuation:				
At 1 January 1997	5,499	24,408	1,410	31,317
Additions	93	2,038	-	2,131
Disposals	-	(410)	(748)	(1,158)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	5,592	26,036	662	32,290
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1 January 1997	536	8,853	-	9,389
Provided during the year	114	2,304	-	2,418
Additions	-	44	-	44
Disposals	-	(198)	-	(198)
Writedowns	-	241	-	241
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	650	11,244	-	11,894
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 December 1997	4,942	14,792	662	20,396
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	4,963	15,555	1,410	21,928
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets does not include any assets held under finance leases or hire purchase contracts. (1996: £25,523).

A professional valuation of certain of the Company's freehold properties was carried out as at 31 December 1993. The valuation was made on an open market existing use basis and was carried out by Healey and Baker, International Real Estate Consultants. The annual depreciation on the Company's properties will as a result of the property revaluation be reduced by £19,594. On historical cost basis, land and buildings at cost would have been £5,061,938 (1996: £4,968,938) and accumulated depreciation £814,190 (1996: £680,603).

11. Investments

1997
£'000

Subsidiary undertakings at cost or valuation:

At 1 January and 31 December

5,745

The subsidiary undertakings at 31 December 1997, which are wholly owned and incorporated in Great Britain are as follows:

Subsidiary undertaking	Registered in	Class of shares	Nature of business
Smith and McLaurin Ltd	Scotland	Ordinary	Laminates and labels
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.

The directors are of the opinion that the investments in subsidiary undertakings are worth not less than the balance sheet amounts.

12. Stocks

1997
£'000

1996
£'000

Raw materials and consumables

986

814

Work in progress

463

379

Finished goods and goods for resale

960

832

2,409

2,025

13. Debtors: receivable within one year

1997
£'000

1996
£'000

Trade debtors

4,398

5,559

Due from ultimate parent undertaking

-

2,451

Due from subsidiary undertakings

-

111

Due from fellow subsidiary undertakings

7,585

-

Other debtors

485

414

Prepayments and accrued income

173

183

12,641

8,718

14. Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Obligations under finance leases	-	6
Trade creditors	3,160	2,566
Due to parent and fellow subsidiary undertakings	542	1,158
Taxation	94	-
Other taxes and social security costs	193	193
Fixed asset creditor	101	-
Other creditors	384	807
Other accruals	62	-
	<u>4,536</u>	<u>4,730</u>

15. Creditors: amounts falling due after one year

Due to parent and fellow subsidiary undertakings	<u>25,500</u>	<u>25,500</u>
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16. Provisions for Liabilities and Charges

	Deferred Taxation £'000	Other £'000	Total £'000
At 1 January 1997	892	128	1,020
Utilised	(54)	(128)	(182)
At 31 December 1997	<u>838</u>	<u>-</u>	<u>838</u>

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	Provided		Not Provided	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Capital allowances in advance of depreciation	840	958	1,854	1,856
Other timing differences	(2)	(66)	(2)	-
	<u>838</u>	<u>892</u>	<u>1,852</u>	<u>1,856</u>

17. Equity Share Capital

	1997 £'000	1996 £'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	4,578	4,578
	<u>8,328</u>	<u>8,328</u>

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

	1997 £'000	1996 £'000
Profit retained for the financial year	1,738	1,933
Opening shareholders' funds	8,880	6,947
Closing shareholders' funds	<u>10,618</u>	<u>8,880</u>

19. Reserves

	Share premium £'000	Revaluation £'000	Profit and loss account £'000
At 1 January 1997	11,211	385	(11,044)
Retained profit for the year	-	-	1,738
At 31 December 1997	<u>11,211</u>	<u>385</u>	<u>(9,306)</u>

20. Capital expenditure commitments

	1997 £'000	1996 £'000
Future capital expenditure at 31 December for which contracts have been placed	66	85

21. Pension commitments

The majority of employees belong to the Rexam Employees Benefit Plans, pension schemes of the defined benefit type. The charge in these accounts represents contributions paid to the scheme.

The charge does not take full account of the surplus disclosed in the scheme by the last actuarial valuation which was carried out as at 6 April 1997 details of which are disclosed in the Annual Report and Accounts of Rexam PLC. The prepayment arising in respect of the group as a whole under the scheme is also disclosed in those accounts.

22. Other financial commitments

Operating lease rentals payable in 1998 relate to commitments expiring:

	1997 £'000	1996 £'000
Plant & Machinery		
Within one year	1	79
Within two to five years	-	4
	<u>1</u>	<u>83</u>

23. 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.

24. 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.

25. 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.