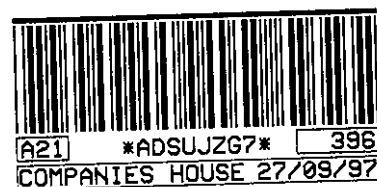


J R Crompton Limited

Directors' report and financial statements

31 December 1996

Registered number 58810



J R Crompton Limited

Directors' report and financial statements

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J R Crompton Limited

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 1996.

Principal activities

The principal activity of the company is the manufacture and sale of special long fibred papers.

Business review and future developments

The company continues to enjoy a strong demand for its traditional products and during the year commissioned a new long fibred paper machine at its Lydney Mill in Gloucester.

Proposed dividend and transfer to reserves

The directors recommend the payment of a ordinary dividend of £1,000,000. The retained profit for the year is £78,189.

Significant changes in fixed assets

Significant changes to fixed assets are given in note 9 to the financial statements.

Research and development

The company continued to invest significant resources in research and development.

Employee involvement

The company maintains a policy of providing employees with information on matters of concern aimed at achieving a common awareness of the financial and economic factors affecting the performance of the company. Regular team briefings provide a forum for communication so that views can be taken into account in making decisions which are likely to affect the interests of employees.

Employment of disabled persons

Applications for employment by disabled persons are treated in the same way as any others. The company employs three disabled persons. Company policy is to make special arrangements by providing the necessary training and opportunity for rehabilitation in cases of disablement while in the company's employment.

Payment policy for creditors

It is the company's policy to settle suppliers' invoices in line with the terms agreed and the company will endeavour to ensure the policy is achieved in practice.



J R Crompton Limited

Directors' report (*continued*)

Tax status

In the opinion of the directors the company is not a close company within the meaning of section 414, Income and Corporation Taxes Act 1988.

Directors and directors' interests

The directors in office during the year were as follows:

NAB Acland
S Charters
AS Dowd
B Tomkinson
GB Woodall

AS Dowd and B Tomkinson retire by rotation and, being eligible, offer themselves for re-election at the next Annual General Meeting.

None of the directors have any interest in the shares of the company.

The directors' interests in the shares of the ultimate holding company are given in the financial statements of that company.

The directors, agents, officers and company secretary are indemnified out of the assets of the company against all losses and liabilities properly incurred by them in or about the execution and discharge of the duties of their offices.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AS Dowd
Secretary

Elton House
Wellington Street
Bury
Lancashire
BL8 2AS



20 February 1997

J R Crompton Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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



St James' Square
Manchester M2 6DS

Auditors' report to the members of JR Crompton Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

20 February 1997



J R Crompton Limited

Profit and loss account

for the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover from continuing operations	2	45,844,987	41,721,220
Cost of sales		(34,654,585)	(30,660,949)
Gross profit		11,190,402	11,060,271
Distribution costs		(3,734,730)	(3,422,789)
Administrative expenses		(2,148,435)	(2,960,080)
Operating profit from continuing operations		5,307,237	4,677,402
Other interest receivable and similar income		46,136	41,124
Interest payable and similar charges	6	(5,685,829)	(1,476,362)
(Loss)/profit on ordinary activities before taxation	3-6	(332,456)	3,242,164
Tax on (loss)/profit on ordinary activities	7	1,410,645	1,493,242
Profit on ordinary activities after taxation		1,078,189	4,735,406
Dividends	8	(1,000,000)	(7,000,000)
Retained profit/(loss) for the financial year		78,189	(2,264,594)
Retained profit brought forward		2,460,165	4,724,759
Retained profit carried forward		2,538,354	2,460,165

There is no difference between the (loss)/profit on ordinary activities before taxation and the surplus for the financial years presented above and their historical cost equivalent.

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

J R Crompton Limited

Balance sheet at 31 December 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	9		64,738,620		59,872,396
Current assets					
Stocks	10	8,447,571		7,432,538	
Debtors	11	11,845,282		9,392,378	
Cash at bank and in hand		2,555,533		3,556,774	
		<u>22,848,386</u>		<u>20,381,690</u>	
Creditors: amounts falling due within one year	12	<u>(10,459,748)</u>		<u>(12,603,679)</u>	
Net current assets			<u>12,388,638</u>		<u>7,778,011</u>
Total assets less current liabilities			<u>77,127,258</u>		<u>67,650,407</u>
Creditors: amounts falling due after more than one year	13		(52,902,017)		(43,672,014)
Provisions for liabilities and charges	14		(1,347,558)		(1,139,299)
Accruals and deferred income	15		(130,000)		(169,600)
Net assets			<u>22,747,683</u>		<u>22,669,494</u>
Capital and reserves					
Called up share capital	17		20,086,959		20,086,959
Share premium account	18		109,411		109,411
Warrant reserve	18		12,959		12,959
Profit and loss account	18		2,538,354		2,460,165
Equity shareholders' funds			<u>22,747,683</u>		<u>22,669,494</u>

These financial statements were approved by the board of directors on 26th February 1997 and were signed on its behalf by:

NAB

NAB Acland
Director

J R Crompton Limited

Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	1,078,189	4,735,406
Dividends	(1,000,000)	(7,000,000)
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	78,189	(2,264,594)
Opening shareholders' funds	22,669,494	24,934,088
	<hr/>	<hr/>
Closing shareholders' funds	22,747,683	22,669,494
	<hr/> <hr/>	<hr/> <hr/>

J R Crompton Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Crompton Specialist Papermakers Limited and its cash flows are included within the consolidated cash flow statement of that company.

Related party transactions

The directors have taken advantage of the exemption in Financial Reporting Standard No 8, paragraph 3(c), and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	25-50 years
Leasehold land and buildings	-	life of lease
Plant and machinery/motor vehicles	-	4 to 35 years

No depreciation is provided on freehold land or assets in the course of construction.

Foreign currencies

Transactions in foreign currencies are recorded using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using either the rate of exchange ruling at the balance sheet date or the rate of exchange committed under forward exchange rates and the gains or losses on translation are included in the profit and loss account.

J R Crompton Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the year.

J R Crompton Limited

Notes (continued)

2 Turnover

No analysis of turnover by geographical market has been presented as the directors feel this is prejudicial to the interests of the company.

All turnover and (loss)/profit before taxation arises from the principal activity of the company.

3 (Loss)/profit on ordinary activities before taxation

	1996 £	1995 £
<i>(Loss)/profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration		
Audit	23,650	22,000
Other services	5,000	3,000
Depreciation	1,887,957	1,687,724
Loss on sale of fixed assets	-	4,440
Hire of plant and machinery - rentals payable under operating leases	247,074	220,114
Research and development expenditure	856,362	1,327,039
Property rental costs	6,067	440,296
Exchange loss	-	63,996
	<hr/>	<hr/>
<i>after crediting</i>		
Exchange gain	197,781	-
Profit on sale of fixed assets	159,521	-
	<hr/>	<hr/>

J R Crompton Limited

Notes (continued)

4 Remuneration of directors

	1996 £	1995 £
Directors' emoluments:		
Remuneration as executives	-	181,778
Pension contributions	-	39,483
	<u>-</u>	<u>221,261</u>
	<u>-</u>	<u>221,261</u>

The emoluments, excluding pension contributions, of the chairman were £Nil (1995: £Nil) and those of the highest paid director were £Nil (1995: £46,880).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges

	Number of directors	
	1996	1995
£0 - £5,000	5	6
£40,001 - £45,000	-	1
£45,001 - £50,000	-	3
	<u>-</u>	<u>3</u>

In addition an amount of £Nil (1995: £87,318) was recharged by Portal Group plc for the services of NAB Acland as managing director of the company.

J R Crompton Limited

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year analysed by category, was as follows:

	Number of employees	
	1996	1995
Production and engineering	407	391
Other	77	78
	<u>484</u>	<u>469</u>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£	£
Wages and salaries	10,506,137	8,952,474
Social security costs	821,287	705,108
Other pension costs (see note 20)	653,000	640,000
	<u>11,980,424</u>	<u>10,297,582</u>

6 Interest payable and similar charges

	1996	1995
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	5,685,829	1,476,362

Of the above amount £Nil (1995:£112,524) was payable to the previous parent company and £5,624,038 (1995:£1,263,078) was payable to the current parent company.

J R Crompton Limited

Notes (continued)

7 Taxation

	1996 £	1995 £
UK corporation tax at 33% (1995:33%) on the (loss)/profit for the year on ordinary activities	(1,322,847)	(1,341,188)
Deferred taxation	(87,798)	(152,054)
	<u>(1,410,645)</u>	<u>(1,493,242)</u>

The tax credit for the year has been caused by the impact of accelerated allowances and other timing differences which have not been included in the deferred taxation provision on the basis that the liability does not crystallise in the foreseeable future.

8 Dividends

	1996 £	1995 £
Ordinary shares:		
Interim	-	3,000,000
Final	1,000,000	4,000,000
	<u>1,000,000</u>	<u>7,000,000</u>

J R Crompton Limited

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Motor vehicles	Payments on account for assets in course of construction	Total
	£	£	£	£	£
Cost					
At beginning of year	5,210,000	31,820,786	30,075	34,241,798	71,302,659
Additions	-	-	-	6,780,283	6,780,283
Transfers from assets in course of construction	52,468	4,131,039	-	(4,183,507)	-
Disposals	(10,000)	(96,837)	(12,969)	-	(119,806)
At end of year	5,252,468	35,854,988	17,106	36,838,574	77,963,136
Depreciation					
At beginning of year	25,742	11,374,446	30,075	-	11,430,263
Charge for year	103,661	1,784,296	-	-	1,887,957
On disposals	-	(80,735)	(12,969)	-	(93,704)
At end of year	129,403	13,078,007	17,106	-	13,224,516
Net book value					
At 31 December 1996	5,123,065	22,776,981	-	36,838,574	64,738,620
At 31 December 1995	5,184,258	20,446,340	-	34,241,798	59,872,396

The net book value of land and buildings comprises:

	1996 £	1995 £
Freehold	5,083,065	5,144,258
Short leasehold	40,000	40,000
	<u>5,123,065</u>	<u>5,184,258</u>

The gross amount of land and buildings includes £4,657,468 (1995: £4,605,000) of assets which are depreciable.

J R Crompton Limited

Notes (continued)

10 Stocks

	1996 £	1995 £
Raw materials and consumables	5,288,178	4,376,374
Work in progress	926,812	1,245,713
Finished goods and goods for resale	2,232,581	1,810,451
	<u>8,447,571</u>	<u>7,432,538</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

11 Debtors

	1996 £	1995 £
Trade debtors	9,566,014	6,669,373
Amounts owed by parent and fellow subsidiary undertakings	261,077	55,104
Tax recoverable	1,768,161	2,281,689
Prepayments and accrued income	250,030	386,212
	<u>11,845,282</u>	<u>9,392,378</u>

All debtors fall due within one year.

J R Crompton Limited

Notes (continued)

12 Creditors: amounts falling due within one year

	1996	1995
	£	£
Trade creditors	4,406,224	8,008,171
Bills of exchange payable	2,624,206	1,719,941
Other creditors including taxation and social security:		
Corporation tax	-	1,448,407
Other taxes and social security	296,439	299,210
Proposed dividend	1,000,000	-
Accruals and deferred income	2,132,879	1,127,950
	<u>10,459,748</u>	<u>12,603,679</u>

The proposed dividend is owed to the parent company.

13 Creditors: amounts falling due after more than one year

	1996	1995
	£	£
Amounts owed to parent and fellow subsidiary undertakings	52,902,017	43,672,014
	<u>52,902,017</u>	<u>43,672,014</u>

The company have granted a fixed and floating charge, supported by cross guarantees and keyman insurance, in support of the group's bank borrowing (see note 16).

J R Crompton Limited

Notes (continued)

14 Provisions for liabilities and charges

	Pensions and similar obligations £	Deferred taxation £	Total £
At beginning of year	1,700,447	(561,148)	1,139,299
Charge for the year in the profit and loss account	653,000	(215,490)	437,510
Paid during year	(356,943)	127,692	(229,251)
At end of year	<u>1,996,504</u>	<u>(648,946)</u>	<u>1,347,558</u>

The deferred tax asset relates to the SSAP 24 pension adjustment.

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1996		1995	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	-	10,095,000	-	7,266,070
Other timing differences	(648,946)	(1,106,000)	(561,148)	-
	<u>(648,946)</u>	<u>8,989,000</u>	<u>(561,148)</u>	<u>7,266,070</u>

15 Accruals and deferred income

	1996 £	1995 £
Other loans	<u>130,000</u>	<u>169,600</u>

This is a liability which arose on the purchase of the company by Bunzl plc and is being repaid half yearly.

16 Contingent liabilities

There is an unlimited cross guarantee between group companies of £54,864,992 (1995: £44,491,554) in respect of bank borrowings.

J R Crompton Limited

Notes (continued)

17 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
Ordinary shares of 10p each	-	-
200,869,590 Ordinary shares of US \$ 0.0001 each	12,959	12,959
201,500,000 Deferred ordinary shares of 10p each	20,150,000	20,150,000
	<u>20,162,959</u>	<u>20,162,959</u>
<i>Allotted, called up and fully paid</i>		
200,869,590 Deferred ordinary shares of 10p each	20,086,959	20,086,959
	<u>20,086,959</u>	<u>20,086,959</u>

The ordinary shares were reclassified into deferred shares during 1995. A one for one bonus issue of bearer warrants to subscribe for 200,869,590 ordinary shares of US \$ 0.0001 each was also made during 1995. The bonus issue was debited to the share premium account. Warrants were then issued over these shares.

Rights

Deferred shares

The holders of the deferred shares shall not be entitled to participate in the profits or assets of the company unless on a return of assets the holders of every other class of shares in the company have received the sum of £1 million per share.

There are no voting rights attached to these shares. The company is able to repurchase any or all of the deferred shares for a total of £1.

Warrants

The bearer of the warrant shall have the same rights and privileges as he would have had if his name had been included as a holder of the shares specified in the warrant.

J R Crompton Limited

Notes (continued)

18 Reserves

	Warrant reserve	Share premium account	Profit and loss account
	£	£	£
At beginning of year	12,959	109,411	2,460,165
Transfer to profit and loss account	-	-	78,189
At end of year	<u>12,959</u>	<u>109,411</u>	<u>2,538,354</u>

19 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	1996 £	1995 £
Contracted	177,491	4,832,387
Authorised but not contracted	196,013	628,664
	<u> </u>	<u> </u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Other 1996 £	1995 £
Operating leases which expire:		
Within one year	19,612	30,126
In the second to fifth years inclusive	504,361	444,137
	<u> </u>	<u> </u>

J R Crompton Limited

Notes *(continued)*

20 Pension scheme

As explained in the accounting policies set out on page 9, the company operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 May 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The pension charge for the period of £ 653,000 (1995: £640,000) included £260,000 (1995: £141,000) in respect of the amortisation of surpluses that are being recognised over the average remaining service lives of employees.

The most recent actuarial valuation showed that the market value of the scheme's assets was £20,106,442 and that the actuarial value of those assets represented 114% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company were made at 6% until 1 November 1996. From this date a contributions holiday is to take place until the next actuarial valuation. The contribution of the employees will remain at 5% of pensionable earnings.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

21 Ultimate parent company

The company is a subsidiary undertaking of Crompton Specialist Papermakers Limited incorporated in England and Wales registered in Great Britain.

The largest group in which the results of the company are consolidated is that headed by Crompton Specialist Papermakers Limited.

The consolidated financial statements of this group are available to the public and may be obtained from the registered office of the company.