

J R Crompton Limited.

Directors' report and financial statements

31 December 1995

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 ninety-eighth annual report and the audited financial statements of the company for the year ended 31 December 1995.

Principal activities

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

On 6 February 1995 the Portals Group plc, of which J R Crompton Limited is a subsidiary, was purchased by De la Rue plc.

On 21 September 1995 the whole of the issued share capital of the company was purchased from De la Rue plc by Broomco (929) Limited via a management buy out. Broomco (929) Limited changed its name to Crompton Specialist Papermakers Limited on 21 September 1995.

Proposed dividend and transfer to reserves

Profit on ordinary activities before taxation amounted to £3,242,164 (1994: £7,003,627). Retained loss for the year after payment of ordinary dividends of £7,000,000 was £2,264,594.

Significant changes in fixed assets

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

Future developments in the company's business

The company will commission in 1996 a new paper making machine at Lydney Mill, Gloucestershire costing £35 million. Full funding for this project has been provided by the parent company.

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. Monthly 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.

J R Crompton Limited

Directors' report

Employment of disabled persons

Applications for employment by disabled persons are treated in the same way as any others. The company employs 4 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.

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

AP Conway	(resigned 3 February 1995)
JEF Lloyd	(resigned 3 February 1995)
JKL McBride	(resigned 3 February 1995)
LG Cullen	(appointed 6 February 1995, resigned 20 September 1995)
SA Field	(appointed 6 February 1995, resigned 20 September 1995)

NAB Acland and S Charters retire by rotation and, being eligible, offer themselves for re-election at the next Annual General Meeting.

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

J R Crompton Limited

Directors' report

Directors and directors' interests (continued)

Interests of directors, who are not also directors of the ultimate holding company at the start of the year, in executive share options of the ultimate holding company were:

	At 31 December 1994 Number	Acquired in year Number	Exercised in year Number	At 31 December 1995 Number
NAB Acland	54,000	-	54,000	-
S Charters	19,500	-	19,500	-
AS Dowd	19,500	-	19,500	-
B Tomkinson	21,500	-	21,500	-
GB Woodall	21,500	-	21,500	-

Directors who had an interest in the Portals Group plc SAYE Option Scheme were as follows:

	31 December 1995 Number	31 December 1994 Number
S Charters	-	2,556
NAB Acland	-	3,136

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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.

J R Crompton Limited


Directors' report

Auditors

During the year, Price Waterhouse resigned as auditors of the company and Touche Ross were appointed to fill the casual vacancy. Touche Ross subsequently resigned and KPMG were appointed to fill the casual vacancy.

In accordance with section 384 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



St James' Square
Manchester M2 6DS

Auditors' report to the members of JR Crompton Limited

We have audited the financial statements on pages 6 to 19.

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 1995 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

13 March 1996

J R Crompton Limited

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover from continuing operations	2	41,721,220	41,935,204
Cost of sales		(30,660,949)	(29,416,017)
Gross profit		11,060,271	12,519,187
Distribution costs		(3,422,789)	(3,464,907)
Administrative expenses		(2,960,080)	(2,065,319)
Operating profit from continuing operations		4,677,402	6,988,961
Other interest receivable and similar income		41,124	117,871
Interest payable and similar charges	6	(1,476,362)	(103,205)
Profit on ordinary activities before taxation	3-5	3,242,164	7,003,627
Tax on profit on ordinary activities	7	1,493,242	(1,510,085)
Profit on ordinary activities after taxation		4,735,406	5,493,542
Dividends paid	8	(7,000,000)	(2,796,614)
Retained (loss)/profit for the financial year		(2,264,594)	2,696,928
Retained profit brought forward		4,724,759	2,027,831
Retained profit carried forward		2,460,165	4,724,759

The company had no recognised gains or losses other than the loss in the current year and profit in the preceding year.

There is no difference between the results reported as above and those which would be reported on historical cost basis.

J R Crompton Limited

Balance sheet at 31 December 1995

	Note	1995		1994	
		£	£	£	£
Fixed assets					
Tangible assets	9	59,872,396		25,932,730	
Current assets					
Stocks	10	7,432,538		5,701,292	
Debtors	11	9,392,378		5,881,683	
Cash at bank and in hand		3,556,774		2,288,258	
		<u>20,381,690</u>		<u>13,871,233</u>	
Creditors: amounts falling due within one year	12	(12,603,679)		(13,777,588)	
		<u></u>		<u></u>	
Net current assets			7,778,011		93,645
Total assets less current liabilities			67,650,407		26,026,375
Creditors: amounts falling due after more than one year	13	(43,672,014)			-
Provisions for liabilities and charges	14	(1,139,299)		(883,087)	
Accruals and deferred income	15	(169,600)		(209,200)	
		<u></u>		<u></u>	
Net assets			22,669,494		24,934,088
Capital and reserves					
Called up share capital	17	20,086,959		20,086,959	
Warrant reserve	18	12,959		-	
Share premium account	18	109,411		122,370	
Profit and loss account	18	2,460,165		4,724,759	
		<u></u>		<u></u>	
Equity shareholders' funds			22,669,494		24,934,088
			<u></u>		<u></u>

These financial statements were approved by the board of directors on 22 February 1996 and were signed on its behalf by:

NAB Acland
Director



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

As the cash flow statement of the ultimate parent undertaking complies with the conditions of Financial Reporting Standard No 1 ("FRS1") - "Cash Flow Statements" - the company is, therefore, exempt under FRS1 from the requirement to prepare a separate cash flow statement.

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	-	4 to 35 years

No depreciation is provided on freehold land.

Foreign currencies

Current assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange either committed under forward exchange contracts or those ruling at the balance sheet date. Gains or losses arising on the exchange are included in trading results for the year.

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.

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Notes (continued)

1 Accounting policies (continued)

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.

Turnover

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

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.

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 profit before taxation arises from the manufacture and sale of long fibred papers.

J R Crompton Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	1995	1994
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	22,000	25,750
Other services	3,000	-
Depreciation and other amounts written off tangible fixed assets	1,687,724	1,553,173
Loss on sale of fixed assets	4,440	90,172
Hire of plant and machinery - rentals payable under operating leases	220,114	185,800
Research and development expenditure	1,327,039	1,111,871
Property rental costs	440,296	585,000
Rents receivable from property	-	(400)

4 Remuneration of directors

	1995	1994
	£	£
Directors' emoluments:		
Remuneration as executives	181,778	284,552
Pension contributions	39,483	50,964
	<u>221,261</u>	<u>335,516</u>

The emoluments, excluding pension contributions, of the chairman were £NIL (1994:£NIL) and those of the highest paid director were £46,880 (1994:£73,158). From October 1995 the directors received their emoluments from the parent company.

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

		Number of directors	
		1995	1994
£0 - £5,000		6	4
£40,001 - £45,000		1	-
£45,001 - £50,000		3	-
£65,001 - £70,000		-	1
£70,001 - £75,000		-	3

In addition an amount of £87,319 was recharged by Portal Group plc for the services of NAB Acland as managing director of the company. From October 1995 NAB Acland's remuneration is paid by the parent company.

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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	
	1995	1994
Production and engineering	391	374
Others	78	77
	<u>469</u>	<u>451</u>

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£	£
Wages and salaries	8,952,474	8,601,917
Social security costs	705,108	687,272
Other pension costs (see note 21)	640,000	569,617
	<u>10,297,582</u>	<u>9,858,806</u>

6 Interest payable and similar charges

	1995	1994
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	<u>1,476,362</u>	<u>103,205</u>

Of the above amount £112,524 was payable to the previous parent company (1994 £37,651) and £1,263,078 payable to the new parent company (1994:£Nil).

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Notes (continued)

7 Taxation

	1995 £	1994 £
UK corporation tax at 33 % (1994:33%) on the profit for the year on ordinary activities	(1,341,188)	1,554,007
Deferred taxation	(152,054)	(78,946)
Adjustment relating to an earlier year	-	35,024
	<u>(1,493,242)</u>	<u>1,510,085</u>

The tax credit in 1995 was caused by the significant amount of capital additions and the resulting capital allowances.

8 Dividends

	1995 £	1994 £
Ordinary shares		
Interim	3,000,000	-
Final	4,000,000	2,796,614
	<u>7,000,000</u>	<u>2,796,614</u>

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Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Motor vehicles	Payments on accounts for assets in course of construction	Total
	£	£	£	£	£
Cost					
At beginning of year	-	29,905,125	30,075	5,851,302	35,786,502
Additions	5,200,000	-	-	30,440,664	35,640,664
Transfers from assets in course of construction	10,000	2,040,168	-	(2,050,168)	-
Disposals	-	(124,507)	-	-	(124,507)
At end of year	5,210,000	31,820,786	30,075	34,241,798	71,302,659
Depreciation					
At beginning of year	-	9,830,058	23,714	-	9,853,772
Charge for year	25,742	1,655,621	6,361	-	1,687,724
On disposals	-	(111,233)	-	-	(111,233)
At end of year	25,742	11,374,446	30,075	-	11,430,263
Net book value					
At 31 December 1995	5,184,258	20,446,340	-	34,241,798	59,872,396
At 31 December 1994	-	20,075,067	6,361	5,851,302	25,932,730

The net book value of land and buildings comprises:

	1995 £	1994 £
Freehold	5,144,258	-
Short leasehold	40,000	-
	<u>5,184,258</u>	<u>-</u>

The gross amount of land and buildings includes £5,210,000 of assets (1994: £Nil) which are depreciable.

J R Crompton Limited

Notes (continued)

10 Stocks

	1995 £	1994 £
Raw materials and consumables	4,376,374	3,150,276
Work in progress	1,245,713	1,162,121
Finished goods and goods for resale	1,810,451	1,388,895
	<u>7,432,538</u>	<u>5,701,292</u>

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

11 Debtors

	1995 Due within one year £	1994 Due within one year £
Trade debtors	6,669,373	5,722,512
Amounts owed by group undertakings	55,104	919
Tax recoverable	2,281,689	-
Prepayments and accrued income	386,212	158,252
	<u>9,392,378</u>	<u>5,881,683</u>
<i>The amounts owed by group undertakings comprise:</i>		
Parent and fellow subsidiary undertakings	<u>55,104</u>	<u>919</u>

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Notes (continued)

12 Creditors: amounts falling due within one year

	1995	1994
	£	£
Trade creditors	8,008,171	6,245,884
Bills of exchange payable	1,719,941	1,417,519
Amounts owed to group undertakings	-	2,482,575
Other creditors including taxation and social security:		
Corporation tax	1,448,407	1,554,007
Other taxes and social security	299,210	338,598
Accruals and deferred income	1,127,950	1,739,005
	<u>12,603,679</u>	<u>13,777,588</u>
<i>The amounts owed to group undertakings comprise:</i>		
Parent and fellow subsidiary undertakings	<u>-</u>	<u>2,482,575</u>

13 Creditors: amounts falling due after more than one year

	1995	1994
	£	£
Amounts owed to group undertakings	<u>43,672,014</u>	<u>-</u>

The company have granted a fixed and floating charge, supported by cross guarantees and keyman insurance, in support of the bank borrowing.

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Notes (continued)

14 Provisions for liabilities and charges

	Pensions and similar obligations	Taxation including deferred tax	Total
	£	£	£
At beginning of year	1,292,181	(409,094)	883,087
Charge for the year in the profit and loss account	640,000	(152,054)	487,946
Paid during year	(231,734)	-	(231,734)
	<u>1,700,447</u>	<u>(561,148)</u>	<u>1,139,299</u>

The deferred tax asset relates to the SSAP24 pension adjustment.

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

	1995		1994	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances	-	7,266,070	-	4,424,817
Other timing differences	(561,148)	-	(409,094)	-
	<u>(561,148)</u>	<u>7,266,070</u>	<u>(409,094)</u>	<u>4,424,817</u>

15 Accruals and deferred income

	1995	1994
	£	£
Other loans	<u>169,000</u>	<u>209,200</u>

This is a liability which came about 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 £44,491,554 in respect of bank borrowings.

J R Crompton Limited

Notes (continued)

17 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
Ordinary shares of 10p each	-	20,150,000
200,869,590 Ordinary shares of US \$ 0.0001 each	12,959	-
201,500,000 Deferred ordinary shares of 10p each	20,150,000	-
	<u>20,162,959</u>	<u>20,150,000</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 the year. 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 the year. 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.

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Notes (continued)

18 Reserves

	Warrant reserve	Share premium account	Profit and loss account
	£	£	£
At beginning of year	-	122,370	4,724,759
Transfer to profit and loss account	-	-	(2,264,594)
Warrant	12,959	(12,959)	-
	<u>12,959</u>	<u>(12,959)</u>	<u>-</u>
At end of year	<u>12,959</u>	<u>109,411</u>	<u>2,460,165</u>

The ordinary shares were reclassified into deferred shares during the year. 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 the year. The bonus issue was debited to the share premium account. Warrants were then issued over these shares.

19 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Profit for the financial year	4,735,406	5,493,542
Dividends	(7,000,000)	(2,796,614)
	<u>(2,264,594)</u>	<u>2,696,928</u>
Net (deduction from)/addition to shareholders' funds	24,934,088	22,237,160
Opening shareholders' funds	<u>22,669,494</u>	<u>24,934,088</u>
Closing shareholders' funds	<u>22,669,494</u>	<u>24,934,088</u>

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Notes (continued)

20 Commitments

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

	1995 £	1994 £
Contracted	4,832,387	8,109,000
Authorised but not contracted	<u>628,664</u>	<u>29,652,000</u>

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

	1995 £	1994 £
Operating leases which expire:		
Within one year	30,126	9,587
In the second to fifth years inclusive	<u>444,137</u>	<u>171,512</u>
	<u>474,263</u>	<u>181,099</u>

21 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 1994. 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 £640,000 (1994:£569,617) included £141,000 (1994:£140,200) 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 £15,925,756 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 6% and 5% of earnings respectively.

22 Ultimate parent company

The company is a wholly owned subsidiary of Crompton Specialist Papermakers Limited which is registered in England and Wales.