

Rexam Packaging Limited

Year Ended 31 December 1997

Registration No: 192236

Directors' Report

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

Activities

The principal activities comprise the manufacture and sale of corrugated fibreboard packaging, litho printed cartons, pharmaceutical packaging, liquid packaging and bag-in-box systems, paper and plastic bags, blow moulded containers, fibre drums, flexible bulk containers, cast films and metallising and coating of plastic films.

On 1 January 1997 the Company transferred the assets of Rexam Foil & Paper to Rexam Plastic Packaging Limited. On 30 April 1997 the Company disposed of its investment in BlowMocan (Holdings) Limited and sold the trade and assets of Rexam Cartons & Print (South). On the 1 January the Company transferred the assets of Rexam Pharmaceutical Packaging to Rexam Medical Packaging Limited. On 8 January 1998 the Company sold the trade and assets of Rexam Liquid Packaging and on 3 February 1998 it sold the trade and assets of Rexam Flexible Packaging Welton.

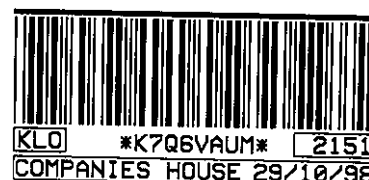
The profit after tax for the year amounted to £23,276,000 (1996 loss of £3,305,000). The directors have declared interim dividends of £19,693,000 (1996 £16,959,000) and do not recommend the payment of a final dividend leaving a profit of £3,583,000 (1996 loss of £20,264,000) to be transferred to reserves.

Future Development

The Company will endeavour to develop profitable growth in each of its businesses. The Company carries out research into new products and manufacturing techniques for existing products on an on-going basis.

Directors

D. E. A. Jones, W. H. Moran, S.A. Bull, D.W. Gibson and P.J. Venner served as directors throughout the year. J.K. Brown was appointed a director on 5 February 1997. S.P. Miller resigned on 30 May 1997, K.A. Abbott resigned on 16 July 1997 and D.E.A. Jones resigned on 30 April 1998.



Directors' Interests

The directors of the Company 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 ** - Senior Executive (1984)		Share Options ** - Senior Executive (1997)	
	1.1.97*	31.12.97	1.1.97*	31.12.97	1.1.97*	31.12.97
J K Brown	-	4,343	38,729	30,465	-	12,687
D E A Jones	-	-	63,747	63,747	-	-
W H Moran	5,344	5,344	32,321	32,321	-	33,582
S A Bull	28,658	28,658	53,511	53,511	-	68,988
D W Gibson	5,781	8,725	18,852	18,852	-	58,043
P J Venner	202	202	20,000	20,000	-	10,495

	Share Options** SAYE Scheme (1988)		Share Options** Long Term Incentive (Maximum shares)	
	1.1.97*	31.12.97	1.1.97*	31.12.97
J K Brown	4,924	5,826	-	-
D E A Jones	-	-	5,800	5,800
W H Moran	5,719	8,481	4,800	4,800
S A Bull	4,980	4,980	37,900	37,900
D W Gibson	4,909	7,045	14,000	14,000

* or date of appointment if later

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

Fixed Assets

The movements of fixed assets are shown in Notes 10 and 11 to the accounts.

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 those terms, provided that suppliers have complied with all relevant terms and conditions. At 31 December 1997 the company had an average of 79 days purchases outstanding in trade creditors.

Rexam Packaging Limited
Year Ended 31 December 1997

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Employees

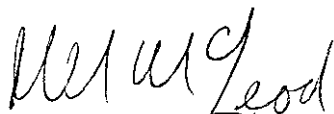
The Company recognises the mutual benefits of communication, consultation and employee involvement at all levels. Each business has developed a communication network appropriate to its needs and there is no fixed pattern of style. During the last 12 months we have continued the flow of information to employees and efforts are being made to improve the consultative process.

Disabled persons are employed and trained whenever 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.

Auditors

Ernst & Young have expressed their willingness to continue in office as Auditors.

By order of the Board.

A handwritten signature in dark ink, appearing to read 'I M McLeod', written in a cursive style.

I M McLeod
Secretary

22 OCTOBER 1998

Directors' Responsibilities

Preparation of the Accounts

This statement, which should be read together with the Report of the Auditors set out on page 5, 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 6 to 20, that appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates and that 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 enable 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.

Report of the Auditors to the Members of Rexam Packaging Limited

We have audited the accounts on pages 6 to 20 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and long leaseholds and on the basis of the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 4 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.

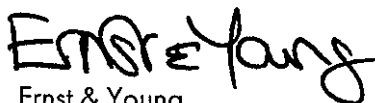
Basis of Opinion

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	(3)	319,274	352,257
Operating Expenses	(4)	(294,409)	(341,712)
Operating Profit		24,865	10,545
Income from Group Undertakings		11,526	13,263
Write down of investment		-	(14,558)
Interest – payable	(6)	(13,783)	(14,495)
Interest – receivable	(6)	1,115	901
Profit/(Loss) on Ordinary Activities before Taxation		23,723	(4,344)
Taxation	(7)	(447)	1,039
Profit/(Loss) for the Financial Year		23,276	(3,305)
Dividends		(19,693)	(16,959)
Transfer to Reserves	(22)	3,583	(20,264)

Rexam Packaging 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)	106,662	116,001
Investments	(11)	161,110	161,110
		<u>267,772</u>	<u>277,111</u>
Current Assets			
Properties surplus to requirements		1,145	3,145
Stocks	(12)	26,366	32,565
Debtors	(13)	99,147	82,335
Cash at bank and in hand		21,429	27,739
		<u>148,087</u>	<u>145,784</u>
Creditors			
Amounts falling due within 1 year	(14)	(122,985)	(132,019)
Net Current Assets			
		<u>25,102</u>	<u>13,765</u>
Total Assets less Current Liabilities			
		292,874	290,876
Creditors			
Amounts falling due after more than 1 year	(14)	(108,000)	(103,500)
Provision for liabilities and charges	(17)	(2,693)	(9,310)
Deferred Income		(714)	(708)
Deferred Tax	(18)	(1,766)	(1,240)
		<u>179,701</u>	<u>176,118</u>
Capital and Reserves			
Equity Share Capital	(19)	8,833	8,833
Equity Reserves :			
Share Premium	(20)	121,146	121,146
Revaluation Reserve	(21)	7,384	9,863
Profit and Loss Account	(22)	42,338	36,276
		<u>179,701</u>	<u>176,118</u>

Approved by a Board Resolution dated 22 OCTOBER 1998

S A Bull

S A Bull
 Director

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £23,276,000 in the year ended 31 December 1997 (1996 loss of £3,305,000).

Reconciliation of Movements in Shareholders' Funds

	1997 £'000	1996 £'000
Profit/(Loss) for the financial year	23,276	(3,305)
Dividends	(19,693)	(16,959)
Net change in shareholders' funds	3,583	(20,264)
At 1 January	176,118	196,382
At 31 December	179,701	176,118

Note of Historical Cost Profits and Losses

	1997 £'000	1996 £'000
Reported profit/(loss) on ordinary activities before taxation	23,723	(4,344)
Realisation of property revaluation gains	2,397	-
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	82	157
Historical cost profit/(loss) on ordinary activities before taxation	26,202	(4,187)
Historical cost profit/(loss) for the year retained after taxation and dividends	6,062	(20,107)

1. Accounting Policies

Basis of Preparation

The accounts are 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.

Cash Flow Statement

As the Company is a wholly owned subsidiary undertaking of Rexam PLC which has prepared a cash flow statement in accordance with FRS 1 (revised 1996), it has not prepared a cash flow statement.

Transactions with Related Parties Statement

As the Company is a wholly owned subsidiary undertaking of Rexam PLC and in accordance with FRS 8, it has not prepared a statement on transactions with related parties.

Turnover

Turnover is defined as the net amount receivable (excluding VAT) for goods supplied and services provided and includes sales to fellow subsidiary undertakings.

Interest

Interest is recorded in the profit and loss account on an accruals basis, except where it relates to payments made over an extended period of development of large capital projects. Such interest is added to the capital cost and amortised over the effective lives of those projects.

Tangible Fixed Assets

Tangible assets are stated at cost or valuation. Depreciation is calculated to write-off the book value of tangible assets over their expected lives by equal annual instalments, except that depreciation is not provided on freehold land or assets under construction.

Tangible assets are depreciated at the following rates:

Freehold buildings	2%
Long Leasehold Property	2%
Short Leasehold Property	Life of Lease
Plant, Machinery and Vehicles	5% to 50%

Stocks

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

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Differences arising from fluctuation in exchange rates are taken to profit and loss account.

Deferred Taxation

Deferred taxation is provided at appropriate rates on any significant timing differences between accounting and taxable profits, except where it can be demonstrated with reasonable probability that a tax liability is unlikely to crystallise in the foreseeable future.

Leases

Assets acquired under finance leases are capitalised and the capital element of outstanding lease rentals is included in creditors. Operating lease rentals are charged in the profit and loss account on a straight line basis.

Pensions

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.

Properties Surplus to Requirements

Properties held for disposal are included in current assets at the lower of cost or net realisable value.

Research and Development

Research and development expenditure is written-off as incurred.

2. Ultimate Parent Undertaking

The ultimate parent undertaking is Rexam PLC, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Rexam PLC. Copies of the Annual Report and Accounts of Rexam PLC can be obtained by writing to Rexam PLC, 114 Knightsbridge, London, SW1X 7NN.

3 Turnover	1997 £'000	1996 £'000
<i>By destination :</i>		
United Kingdom	291,929	307,624
Continental Europe	24,758	40,042
Rest of the World	2,587	4,591
	<u>319,274</u>	<u>352,257</u>

The Company's turnover and profit/(loss) before taxation arises principally from the manufacture and sale of packaging materials. All of the Company's operating assets are used for this purpose. All turnover and profit/(loss) before taxation originates in the UK and all net assets are located in the UK.

4 Operating Expenses	1997 £'000	1996 £'000
Raw materials	141,820	189,703
Employee costs (Note 8)	84,488	91,461
Depreciation - owned assets	12,742	14,149
Depreciation - leased assets	1,032	1,706
Other operating charges	54,221	47,667
Research and development	682	862
Change in stocks of finished goods and work in progress	(161)	(1,097)
Own work capitalised	(15)	(404)
Government grants	(197)	(112)
Other operating income	(2,209)	(13,991)
Exceptional items (Note 5)	2,006	11,768
	<u>294,409</u>	<u>341,712</u>

Other operating charges include :

Operating lease rentals - plant and machinery	743	1,055
Operating lease rentals - other	1,106	1,606
Auditors remuneration - audit fees	145	244
- non audit fees	15	37
Charitable contributions	18	40
	<u>18</u>	<u>40</u>

5 Exceptional Items	1997 £'000	1996 £'000
Reorganisation	3,805	5,420
Loss on valuation of property	-	1,294
Profit on sale of property	(3,150)	-
Loss on sale of businesses	1,351	1,554
Provision for asset in course of disposal	-	3,500
	<u>2,006</u>	<u>11,768</u>

6 Interest	1997 £'000	1996 £'000
<i>Payable:</i>		
Long term loan - third party	198	1,976
Long term loan - ultimate parent undertaking	4,610	8,070
Finance Leases	-	38
Other short term borrowing:		
Fellow subsidiary undertakings	8,653	4,355
Other	322	56
	<u>13,783</u>	<u>14,495</u>
<i>Receivable:</i>		
Third Party	1,115	901
	<u>1,115</u>	<u>901</u>

7 Taxation	1997 £'000	1996 £'000
Corporation tax at 31.5% (1996 : 33%)	1,606	566
Deferred tax credit on exceptional items	(909)	-
Tax on franked investment income	-	141
Advance corporation tax surrendered by ultimate parent undertaking	-	(99)
Adjustment to prior years	(250)	(60)
Tax on exceptional items	-	(1,587)
	<u>447</u>	<u>(1,039)</u>

The effective tax rate is less than the standard rate of corporation tax due to the offset of group losses for which no payment has been made, provisions utilised in the period for which no tax relief was taken on set up, and non-taxable UK dividend income.

8 Employees

	1997 £'000	1996 £'000
a) <i>Employee costs:</i>		
Wages and salaries	72,699	80,657
Social security costs	6,138	6,793
Other pension costs	5,651	4,011
	<u>84,488</u>	<u>91,461</u>

b) *Pensions*

The majority of employees belong to the Rexam Employee 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 in April 1997 and 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.

c) <i>Weekly average number of employees</i>	1997	1996
Manufacturing and production	3,057	3,407
Sales, general and other administration	882	1,167
	<u>3,939</u>	<u>4,574</u>

9 Emoluments of Directors

	1997 £'000	1996 £'000
Directors emoluments including pension contributions by the	229	400
Pension contributions by the company	40	73
Severance pay	191	-
	<u></u>	<u></u>

K A Abbott's emoluments were paid by Rexam PLC and are reported in those accounts.

Emoluments for highest paid director	88	121
Pension contribution by company for highest paid director	8	15
Severance pay for highest paid director	191	-
	<u></u>	<u></u>
	1997	1996
Numbers of members of defined benefit scheme	2	3

10 Tangible Assets

	Land and Buildings	Plant, Machinery and Vehicles	Assets under Construct'n	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
1 January 1997	41,418	177,030	3,776	222,224
Additions	184	12,675	5,634	18,493
Reclassification of assets under construction	290	2,606	(2,896)	-
Disposals	(5,619)	(24,158)	(182)	(29,959)
Inter-company transfers	(3)	(5,942)	-	(5,945)
31 December 1997	36,270	162,211	6,332	204,813

Depreciation

1 January 1997	3,406	102,817	-	106,223
Charge for the year	625	13,149	-	13,774
Utilisation of provision	-	856	-	856
Disposals	(706)	(16,803)	-	(17,509)
Inter-company transfers	4	(5,197)	-	(5,193)
31 December 1997	3,329	94,822	-	98,151

Net book amounts

31 December 1997	32,941	67,389	6,332	106,662
31 December 1996	38,012	74,213	3,776	116,001

10 Tangible Assets continued

	1997 £'000	1996 £'000
Net Book Amounts		
Freeholds	31,326	35,477
Long leaseholds	1,125	1,150
Short leaseholds	490	1,385
	<u>32,941</u>	<u>38,012</u>
Finance Leases		
Plant and machinery at cost 31 December	18,039	28,896
Plant and machinery accumulated depreciation 31 December	<u>15,255</u>	<u>24,236</u>

All freehold and long leasehold land and buildings were revalued at 31 December 1992. The review considered values on an open market existing use basis or an open market value basis where the property is held as a surplus property.

Revalued land and buildings at historical cost - 31 December	<u>18,787</u>	<u>19,328</u>
Accumulated depreciation based on historical cost - 31 December	<u>5,719</u>	<u>5,800</u>
Value of land not subject to depreciation - 31 December	<u>13,284</u>	<u>16,530</u>

11 Investments

	1997 £'000	1996 £'000
Subsidiary undertakings at 31 December	<u>161,110</u>	<u>161,110</u>

11 Investments continued

On 30 April 1997 the Company signed an agreement to dispose of its investment in BlowMocan (Holdings) Limited.

The subsidiary undertakings at 31 December 1997 which, unless otherwise stated are wholly owned are as follows:

J. Arthur Dixon Ltd
Rexam Business Forms Ltd
Rexam Cartons & Print North Ltd
Rexam Cartons & Print South Ltd
Rexam Cartons & Print Scotland Ltd
Rexam Corrugated Heavy Duty Ltd
Rexam Corrugated North East Ltd
Rexam Corrugated North West Ltd
Rexam Corrugated Scotland Ltd
Rexam Corrugated South East Ltd
Rexam Corrugated South West Ltd
Rexam Drums Ltd
Rexam HP Flexibles Ltd
Rexam Fabrics Ltd
Rexam Flexibles Viking Ltd
Rexam Flexibles Welton Ltd
Rexam Foil & Paper Ltd
Rexam Graphics Ltd
Rexam Harcostar Ltd
Rexam Liquid Packaging Ltd
Rexam Medical Packaging Ltd
Rexam Metallising Ltd
Rexam Mulox Ltd
Rexam Pharmaceutical Packaging Ltd
Rexam PKL Ltd - 70% owned
Rexam Plastic Packaging Ltd
Sofab Ltd
TBS Engineering Ltd

All subsidiary undertakings are registered in England and Wales (with the exception of Rexam Cartons & Print Scotland Ltd which is registered in Scotland) and are principally involved in the manufacture and sale of packaging materials. Group accounts have not been prepared since the company is a subsidiary undertaking of a company established under the law of a member state of the European Union. Group accounts have been filed by the ultimate parent undertaking, Rexam PLC.

The directors are of the opinion that the aggregate value of its investments in subsidiary undertakings, which are stated at cost, is not less than the balance sheet amount.

12 Stocks

	1997 £'000	1996 £'000
Raw materials	11,589	12,241
Work in progress	3,270	8,045
Finished products	11,507	12,279
	<u>26,366</u>	<u>32,565</u>

13 Debtors

	1997 £'000	1996 £'000
<i>Receivable within 1 year :</i>		
Trade debtors	56,181	57,132
Amount due from fellow subsidiary undertakings	2,910	2,760
Amount due from subsidiary undertakings	28,336	7,013
Other debtors	194	3,508
Dividends from subsidiary undertakings	11,526	11,922
	<u>99,147</u>	<u>82,335</u>

14 Creditors

	1997 £'000	1996 £'000
<i>Amounts falling due within one year :</i>		
Loan capital (Note 16)	30,306	53,399
Trade creditors	43,903	53,159
Amount due to ultimate parent undertaking	524	1,571
Amount due to fellow subsidiary undertakings	9,169	187
Taxation	259	228
Indirect taxation and social security	6,427	3,594
Fixed asset creditor	1,091	807
Other creditors	11,613	6,515
Dividends payable	19,693	12,559
	<u>122,985</u>	<u>132,019</u>
 <i>Amounts falling due after more than 1 year:</i>		
Loan capital (Note 16)	<u>108,000</u>	<u>103,500</u>

15 Lease Obligations

Operating lease rental payable in 1998 relates to commitments expiring as follows :

	Land and buildings		Other	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Within 1 year	175	272	151	132
Between 2 and 5 years	19	32	516	697
After 5 years	596	1,083	15	38
	<u>790</u>	<u>1,387</u>	<u>682</u>	<u>867</u>

16 Loan Capital

Unsecured loans from ultimate parent, fellow subsidiary and subsidiary undertakings having no fixed rate of interest :

	1997 £'000	1996 £'000
Payable within 1 year	30,306	53,399
Payable between 2 and 5 years	28,000	23,500
<i>Unsecured loan from ultimate parent with fixed interest rate of 10.22%</i>		
Repayable 2009	80,000	80,000
	<u>138,306</u>	<u>156,899</u>

17 Provisions for Liabilities and Charges

	Reorganisation and other	Disposal	Total
	£'000	£'000	£'000
At 1 January	5,810	3,500	9,310
Provided	3,825	-	3,825
Utilised	(6,942)	(3,500)	(10,442)
At 31 December	<u>2,693</u>	<u>0</u>	<u>2,693</u>

18 Deferred Tax

	1997 £'000	1996 £'000
Provision for deferred tax		
At 1 January	1,240	2,424
Tax on exceptional items	(909)	(1,184)
Transferred to current tax	1,435	-
At 31 December	<u>1,766</u>	<u>1,240</u>

The full potential deferred tax calculated at the long term corporation tax rate of 31% is as follows:

Capital allowances in excess of depreciation	52,177	11,695
Short term timing differences	(3,550)	(367)
	<u>48,627</u>	<u>11,328</u>

No provision has been made for additional taxation which would accrue if revalued properties were to be disposed of since it is not the intention to dispose of any of the properties at the present time.

19 Equity Share Capital

	1997 £'000	1996 £'000
Ordinary shares of £1 each		
Authorised	10,000	10,000
Allotted, called up and fully paid	<u>8,833</u>	<u>8,833</u>

20 Share Premium

	1997 £'000	1996 £'000
At 1 January and 31 December	<u>121,146</u>	<u>121,146</u>

21 Revaluation Reserve

	1997 £'000	1996 £'000
At 1 January	9,863	10,020
Transfer to profit and loss account reserve	(2,479)	(157)
At 31 December	<u>7,384</u>	<u>9,863</u>

22 Profit and Loss Account

	1997 £'000	1996 £'000
At 1 January	36,276	56,383
Balance from Profit and Loss Account	3,583	(20,264)
Transfer from revaluation reserve	2,479	157
At 31 December	<u>42,338</u>	<u>36,276</u>

23 Capital Expenditure Commitments

	1997 £'000	1996 £'000
For which contracts have been placed	<u>2,264</u>	<u>4,539</u>

24 Contingent Liabilities

As a member of the Rexam United Kingdom Group for VAT purposes the Company has joint and several liabilities for all amounts due to Customs and Excise under this arrangement.