

Rexam Packaging Limited

Year Ended 31 December 1996



Registration No: 192236

Directors' Report

The directors present the accounts of the Company for the year ended 31 December 1996.

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, foil and paper products, 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 trade and assets of Rexam Foil & Paper to Rexam Plastic Packaging Limited. On 30 April 1997 the Company signed an agreement to dispose of its investment in BlowMocan (Holdings) Limited and sold the trade and assets of Rexam Cartons & Print (South).

The loss after tax for the year amounted to £3,305,000 (1995 profit of £36,232,000). The directors have declared interim dividends of £16,959,000 (1995 £27,395,000) and do not recommend the payment of a final dividend leaving a loss of £20,264,000 (1995 profit of £8,837,000) 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 and K. A. Abbott served as directors throughout the year. S. P. Miller was appointed a director on 1 April 1996. S.A. Bull, D.W.Gibson and P.J.Venner were appointed directors on 21 October 1996. J.K. Brown was appointed a director on 5 February 1997. S.P. Miller resigned on 30 May 1997 and K.A. Abbott on 16 July 1997.

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)	
	1.1.96*	31.12.96	1.1.96*	31.12.96
D E A Jones	-	-	63,747	63,747
W H Moran	-	5,344	32,321	32,321
S A Bull	28,658	28,658	53,511	53,511
D W Gibson	5,789	5,781	18,852	18,852
P J Venner	202	202	20,000	20,000

Directors' Interests continued

	Share Options** SAYE Scheme (1988)		Share Options** Long Term Incentive (Maximum shares)	
	1.1.96*	31.12.96	1.1.96*	31.12.96
D E A Jones	-	-	5,800	5,800
W H Moran	13,333	7,989	4,800	4,800
S P Miller	-	-	5,800	5,800
S A Bull	4,980	4,980	37,900	37,900
D W Gibson	3,811	4,909	-	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.

The interests of K. A. Abbott have been disclosed 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.

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.



I M McLeod
 Secretary

03 OCT 1997

Directors' Responsibilities

Preparation of the Accounts

This statement, which should be read together with the Report of the Auditors set out on page 4, 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 19, 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 5 to 19 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 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

10 October 1997


Profit and Loss Account

	Note	1996	1995
		£'000	£'000
Turnover	(3)	352,257	376,090
Operating Expenses	(4)	(341,712)	(340,851)
Operating (Loss)/Profit		10,545	35,239
Income from Group Undertakings		13,263	14,514
Write down of investment		(14,558)	-
Interest - payable	(6)	(14,495)	(13,734)
Interest - receivable	(6)	901	605
(Loss)/Profit on Ordinary Activities before Taxation		(4,344)	36,624
Taxation	(7)	1,039	(392)
(Loss)/Profit for the Financial Year		(3,305)	36,232
Dividends		(16,959)	(27,395)
Transfer to Reserves	(22)	(20,264)	8,837

Balance Sheet as at 31 December

	Note	1996 £'000	1995 £'000
Fixed Assets			
Tangible Assets	(10)	116,001	129,334
Investments	(11)	161,110	173,668
		<u>277,111</u>	<u>303,002</u>
Current Assets			
Properties surplus to requirements		3,145	1,211
Stocks	(12)	32,565	33,551
Debtors	(13)	82,335	89,997
Cash at bank and in hand		27,739	23,710
		<u>145,784</u>	<u>148,469</u>
Creditors			
Amounts falling due within 1 year	(14)	(132,019)	(147,854)
Net Current Assets		<u>13,765</u>	<u>615</u>
Total Assets less Current Liabilities		290,876	303,617
Creditors			
Amounts falling due after more than 1 year	(14)	(103,500)	(103,500)
Provision for liabilities and charges	(17)	(9,310)	(374)
Deferred Income		(708)	(937)
Deferred Tax	(18)	(1,240)	(2,424)
		<u>176,118</u>	<u>196,382</u>
Capital and Reserves			
Equity Share Capital	(19)	8,833	8,833
Equity Reserves :			
Share Premium	(20)	121,146	121,146
Revaluation Reserve	(21)	9,863	10,020
Profit and Loss Account	(22)	36,276	56,383
		<u>176,118</u>	<u>196,382</u>

Approved by a Board Resolution dated **03 OCT 1997**


S A Bull
Director

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £3,305,000 in the year ended 31 December 1996 (1995 profit of £36,232,000).

Reconciliation of Movements in Shareholders' Funds

	1996 £'000	1995 £'000
(Loss)/Profit for the financial year	(3,305)	36,232
Dividends	(16,959)	(27,395)
Net change in shareholders' funds	(20,264)	8,837
At 1 January	196,382	187,545
At 31 December	176,118	196,382

Note of Historical Cost Profits and Losses

	1996 £'000	1995 £'000
Reported (loss)/profit on ordinary activities before taxation	(4,344)	36,624
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	157	153
Historical cost (loss)/profit on ordinary activities before taxation	(4,187)	36,777
Historical cost (loss)/profit for the year retained after taxation and dividends	(20,107)	8,990

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

	1996 £'000	1995 £'000
<i>By destination :</i>		
United Kingdom	307,624	326,358
Continental Europe	40,042	41,441
Rest of the World	4,591	8,291
	<u>352,257</u>	<u>376,090</u>

The Company's turnover and loss/profit 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 loss/profit before taxation originates in the UK and all net assets are located in the UK.

4 Operating Expenses

	1996 £'000	1995 £'000
Raw materials	189,703	210,114
Employee costs (Note 8)	91,461	90,220
Depreciation - owned assets	14,149	12,307
Depreciation - leased assets	1,706	1,856
Other operating charges	47,667	41,200
Research and development	862	506
Change in stocks of finished goods and work in progress	(1,097)	(2,155)
Own work capitalised	(404)	(446)
Government grants	(112)	(222)
Other operating income	(13,991)	(12,529)
Exceptional items (Note 5)	11,768	-
	<u>341,712</u>	<u>340,851</u>

Other operating charges include :

Operating lease rentals - equipment	1,055	1,906
Operating lease rentals - other	1,606	1,688
Hire of plant, machinery and computers	692	740
Auditors remuneration - audit fees	244	220
- non audit fees	37	14
	<u>3,594</u>	<u>4,568</u>

5 Exceptional Items

	1996 £'000	1995 £'000
Reorganisation	5,420	-
Loss on valuation of property	1,294	-
Loss on sale of businesses	1,554	-
Provision for business disposal	3,500	-
	<u>11,768</u>	<u>-</u>

The Directors, after taking independent professional advice, reviewed the value of properties surplus to requirements. The review considered the value on an open market basis. A net loss of £1,294K resulted.

6 Interest

	1996 £'000	1995 £'000
<i>Payable:</i>		
Long term loan - third party	1,976	8,310
Long term loan - ultimate parent undertaking	8,070	1,735
Finance Leases	38	69
Other short term borrowing:		
Fellow subsidiary undertakings	4,355	3,750
Capitalised interest	-	(130)
Other	56	-
	<u>14,495</u>	<u>13,734</u>
 <i>Receivable:</i>		
Third Party	901	605
	<u>901</u>	<u>605</u>

7 Taxation

	1996 £'000	1995 £'000
Corporation tax at 33%	566	1,270
Tax on franked investment income	141	252
Overseas tax	-	7
Advance corporation tax surrendered by ultimate parent undertaking	(99)	(770)
Adjustment to prior years	(60)	(367)
Tax on exceptional items	(1,587)	-
	<u>(1,039)</u>	<u>392</u>

8 Employees

a) Employee costs:

	1996 £'000	1995 £'000
Wages and salaries	80,657	79,840
Social security costs	6,793	6,733
Other pension costs	4,011	3,647
	<u>91,461</u>	<u>90,220</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 as at 6 April 1994 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) Weekly average number of employees

	1996	1995
Manufacturing and production	3,407	3,577
Sales, general and other administration	1,167	1,137
	<u>4,574</u>	<u>4,714</u>

9 Emoluments of Directors

	1996 £'000	1995 £'000
Directors emoluments including pension contributions by the Company	<u>473</u>	<u>453</u>

Directors emoluments excluding pension contributions:

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

Highest paid director	136	145
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Directors received emoluments within the ranges stated below:	Number	Number
Nil - 5,000	3	1
35,001 - 40,000	-	1
55,001 - 60,000	-	1
125,001 - 130,000	1	-
135,001 - 140,000	2	-
140,000 - 145,000	-	2

10 Tangible Assets

	Land and Buildings	Plant, Machinery and Vehicles	Assets under Construct'n	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
1 January 1996	56,240	167,761	2,081	226,082
Additions	749	14,459	4,007	19,215
Reclassification of assets under construction	37	2,275	(2,312)	0
Disposals	-	(7,479)	-	(7,479)
Inter-company transfers	(12,293)	14	-	(12,279)
Transfer to surplus property	(3,315)	-	-	(3,315)
31 December 1996	41,418	177,030	3,776	222,224

Depreciation

1 January 1996	2,824	93,924	-	96,748
Charge for the year	875	14,980	-	15,855
Disposals	-	(6,081)	-	(6,081)
Inter-company transfers	(272)	(6)	-	(278)
Transfer to surplus property	(21)	-	-	(21)
31 December 1996	3,406	102,817	-	106,223

Net book amounts

31 December 1996	38,012	74,213	3,776	116,001
31 December 1995	53,416	73,837	2,081	129,334

10 Tangible Assets continued

	1996 £'000	1995 £'000
Net Book Amounts		
Freeholds	35,477	50,821
Long leaseholds	1,150	1,134
Short leaseholds	1,385	1,461
	<u>38,012</u>	<u>53,416</u>
Finance Leases		
Plant and machinery at cost 31 December	28,896	29,820
Plant and machinery accumulated depreciation 31 December	<u>24,236</u>	<u>23,455</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 an investment.

Revalued land and buildings at historical cost - 31 December	<u>19,328</u>	<u>19,328</u>
Accumulated depreciation based on historical cost - 31 December	<u>5,800</u>	<u>5,472</u>
Value of land not subject to depreciation - 31 December	<u>16,530</u>	<u>25,291</u>

Interest capitalised in net book value is nil (1995 : £685,000)

11 Investments

	Associated Under- takings £'000	Subsidiary Under- takings £'000	Total £'000
At 1 January 1996	12,558	161,110	173,668
Loan Capital	2,000	-	2,000
Provision	(14,558)	-	(14,558)
At 31 December 1996	<u>-</u>	<u>161,110</u>	<u>161,110</u>

11 Investments continued

The associate undertaking at 31 December 1996 is BlowMocan (Holdings) Ltd (50% owned joint venture) and is registered in England and Wales. On 30 April 1997 the Company signed an agreement to dispose of its investment in BlowMocan (Holdings) Limited.

The subsidiary undertakings at 31 December 1996 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 Scotland Ltd
Rexam Cartons & Print South 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 Fabrics Ltd
Rexam Flexible Packaging Viking Ltd
Rexam Flexible Packaging Welton Ltd
Rexam Foil & Paper Ltd
Rexam Graphics Ltd
Rexam Harcostar Ltd (formerly Rexam Industrial Containers 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

	1996 £'000	1995 £'000
Raw materials	12,241	14,313
Work in progress	8,045	6,576
Finished products	12,279	12,662
	<u>32,565</u>	<u>33,551</u>

13 Debtors

	1996 £'000	1995 £'000
<i>Receivable within 1 year :</i>		
Trade debtors	57,132	63,023
Amount due from fellow subsidiary undertakings	2,760	2,485
Amount due from subsidiary undertakings	7,013	7,004
Other debtors	3,508	4,178
Dividends from subsidiary undertakings	11,922	13,307
	<u>82,335</u>	<u>89,997</u>

14 Creditors

	1996 £'000	1995 £'000
<i>Amounts falling due within one year :</i>		
Loan capital (Note 16)	53,399	51,105
Obligations under finance leases (Note 15)	—	101
Trade creditors	53,159	54,975
Amount due to ultimate parent undertaking	1,571	2,488
Amount due to fellow subsidiary undertakings	187	1,428
Taxation	228	626
Indirect taxation and social security	3,594	5,601
Fixed asset creditor	807	2,791
Other creditors	6,515	5,636
Dividends payable	12,559	23,103
	<u>132,019</u>	<u>147,854</u>
 <i>Amounts falling due after more than 1 year:</i>		
Loan capital (Note 16)	<u>103,500</u>	<u>103,500</u>

15 Lease Obligations

	1996 £'000	1995 £'000
Obligations under finance leases payable within 1 year	-	101

Operating lease rental payable in 1997 relate to commitments expiring as follows :

	Land and buildings		Other	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Within 1 year	272	365	132	129
Between 2 and 5 years	32	249	697	581
After 5 years	1,083	1,096	38	15
	<u>1,387</u>	<u>1,710</u>	<u>867</u>	<u>725</u>

16 Loan Capital

	1996 £'000	1995 £'000
<i>Unsecured loans from ultimate parent, fellow subsidiary and subsidiary undertakings having no fixed rate of interest :</i>		
Payable within 1 year	53,399	51,105
Payable between 2 and 5 years	23,500	23,500
<i>Unsecured loan from ultimate parent with fixed interest rate of 10.22%</i>		
Repayable 2009	80,000	-
<i>Third Party Unsecured Loans - payable after 5 years</i>	-	80,000
	<u>156,899</u>	<u>154,605</u>

In March 1996 conversion rights effective from September 1998 were attached to the £80 million unsecured loan at a conversion rate of 15 shares for each £1000 of loan converted.

17 Provisions for Liabilities and Charges

	Reorganisation and other	Disposal	Total
	£'000	£'000	£'000
At 1 January	374	-	374
Provided	5,576	3,500	9,076
Utilised	(140)	-	(140)
At 31 December	<u>5,810</u>	<u>3,500</u>	<u>9,310</u>

18 Deferred Tax

	1996 £'000	1995 £'000
Provision for deferred tax		
At 1 January	2,424	2,424
Tax on exceptional items	(1,184)	-
At 31 December	<u>1,240</u>	<u>2,424</u>

The full potential deferred tax calculated at the long term corporation tax rate of 33% is as follows:

Capital allowances in excess of depreciation	11,695	12,862
Short term timing differences	(367)	2,035
	<u>11,328</u>	<u>14,897</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

	1996 £'000	1995 £'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

	1996 £'000	1995 £'000
At 1 January and 31 December	<u>121,146</u>	<u>121,146</u>

21 Revaluation Reserve

	1996 £'000	1995 £'000
At 1 January	10,020	10,173
Transfer to profit and loss account reserve	(157)	(153)
At 31 December	<u>9,863</u>	<u>10,020</u>

22 Profit and Loss Account

	1996 £'000	1995 £'000
At 1 January	56,383	47,393
Balance from Profit and Loss Account	(20,264)	8,837
Transfer from revaluation reserve	157	153
At 31 December	<u>36,276</u>	<u>56,383</u>

23 Capital Expenditure Commitments

	1996 £'000	1995 £'000
For which contracts have been placed	<u>4,539</u>	<u>3,291</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.