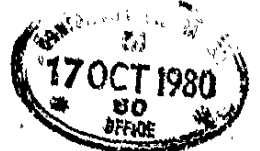


## BOWATER PACKAGING LIMITED

Directors' Report and Accounts  
31st December, 1979



# BOWATER PACKAGING LIMITED

## DIRECTORS' REPORT

The directors present the accounts of the company for the year ended 31st December 1979.

## ACTIVITIES

The principal activities of the company comprise the manufacture of corrugated and solid fibreboard cases; multiwall sacks, drums; foil, paper and board products; cartons and flexible packaging; round boxes and tubes; and packaging systems.

## DIRECTORS

Messrs. B.H.A. Ball, D.J. Bennington, C.H.H. Cook, J.C. Hallam, S.T. Lane, J.L.C. Mott and P.S. Williams held office throughout the year.

## DIRECTORS' INTERESTS

The directors of the company were interested (as defined in the Companies Act 1967 and according to the register maintained thereunder) in the shares and debentures of The Bowater Corporation Limited and its subsidiaries as follows:

	<u>Held Beneficially</u>	
	<u>31.12.79</u>	<u>1.1.79</u>
<u>The Bowater Corporation Limited</u>		
<u>Ordinary shares of £1</u>		
B.H.A. Ball	285	285

## ACCOUNTS


The accounting policy on deferred taxation has been changed to comply with Statement of Standard Accounting Practice No. 15 and 1978 figures have been restated.

The profit for the year amounted to £7,366,000 which, together with the restated profit brought forward of £12,139,000 amounted to £19,505,000. The directors have declared an interim dividend of £16,900,000 and do not recommend the payment of a final dividend, leaving retained profit carried forward of £2,605,000.

## EXPORTS

The sales value of goods exported during the year was £3,588,000.  
(1978 - £2,714,000)

By Order of the Board

  
T.H. Aucott  
Secretary

10th April, 1980

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Bowater Packaging Limited set out on pages 3 to 10. These have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs at 31st December 1979 and of the profit for the year then ended and comply with the Companies Acts 1948 and 1967.

The company has not presented a source and application of funds statement and has therefore not complied with the requirement of Statement of Standard Accounting Practice No. 10.

*Ernst & Whinney*

London

10th April, 1980

## PROFIT AND LOSS ACCOUNT - YEAR ENDED 31ST DECEMBER, 1979

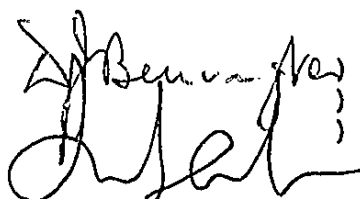
	Note	1979	1978
		£000	£000
SALES	(4)	108,518	95,479
TRADING PROFIT	(5)	9,772	8,599
INTEREST PAYABLE	(6)	1,623	1,357
PROFIT BEFORE TAXATION		8,149	7,242
TAXATION	(8)	3,337	2,925
PROFIT AFTER TAXATION		4,812	4,317
DIVIDENDS FROM SUBSIDIARIES		4,294	142
EXTRAORDINARY ITEM	(9)	(1,740)	-
NET PROFIT FOR THE YEAR		7,366	4,459
AT 1ST JANUARY, 1979, as restated below		12,139	9,480
		19,505	13,939
INTERIM DIVIDEND		16,900	1,800
RETAINED PROFIT AT 31ST DECEMBER, 1979		2,605	12,139
RETAINED PROFIT at 1st January 1979 as previously reported		4,081	3,869
REINSTATEMENT OF A.C.T. previously written off		1,540	-
ADJUSTMENT on change of accounting policy re deferred taxation		6,518	5,611
RETAINED PROFIT as restated		12,139	9,480

## BOWATER PACKAGING LIMITED

Page 4

## BALANCE SHEET - 31ST DECEMBER, 1979

	Note	1979	1978
		£000	£000
<b>CURRENT ASSETS</b>			
Cash		1,081	861
Accounts receivable		18,429	14,781
Inventories	(10)	15,108	12,253
		<u>34,618</u>	<u>27,895</u>
<b>CURRENT LIABILITIES</b>			
Bank loans and overdrafts		159	169
Accounts payable		13,467	9,418
Dividend		16,900	1,800
		<u>30,526</u>	<u>11,387</u>
<b>NET CURRENT ASSETS</b>		<b>4,092</b>	<b>16,508</b>
<b>INTER GROUP BALANCES</b>	(11)	<b>9,298</b>	<b>6,582</b>
<b>INVESTMENT IN SUBSIDIARIES</b>	(12)	<b>14,440</b>	<b>14,440</b>
<b>FIXED ASSETS</b>	(13)	<b>14,558</b>	<b>12,434</b>
		<u>42,388</u>	<u>49,964</u>
		=====	=====
<b>Represented by:</b>			
<b>SHARE CAPITAL</b>	(14)	<b>6,780</b>	<b>6,780</b>
<b>RESERVES</b>		<b>2,605</b>	<b>12,139</b>
		<u>9,385</u>	<u>18,919</u>
<b>INVESTMENT GRANTS</b>	(15)	<b>941</b>	<b>954</b>
<b>LOAN CAPITAL</b>	(16)	<b>31,321</b>	<b>30,091</b>
<b>DEFERRED TAXATION</b>		<b>741</b>	
		<u>42,388</u>	<u>49,964</u>
		=====	=====



Directors

## NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1979

## 1. CHANGE IN ACCOUNTING POLICY

DEFERRED TAXATION is now provided in accordance with Statement of Standard Accounting Practice No.15. The effect of this change has been treated as a prior year adjustment, and the 1978 figures have been restated.

## 2. ACCOUNTING POLICIES

## Sales

Sales are defined as the net amount receivable (excluding VAT) for goods supplied and services provided and include sales to fellow subsidiaries.

## Depreciation

Depreciation is calculated to write off the cost of each fixed asset over its expected life by equal annual instalments, except that depreciation is not provided on freehold land.

The annual rates of depreciation used are as follows:

Freehold buildings	%
Leasehold land and buildings - long leases	2
(over 50 years unexpired)	2
Leasehold land and buildings - short leases-over life of lease	
Plant and machinery - at appropriate rates varying from 7 1/2% to 33 1/3%.	

## Investment grants

Investment grants and regional development grants are credited to profit and loss account at average rates reflecting the expected life of relevant assets, depreciation having been provided on the cost of assets before deducting grants.

## Inventories

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

## Conversion of foreign currencies

Assets and liabilities in foreign currencies are converted into sterling at the rates of exchange ruling at the year end.

## Deferred taxation

Deferred taxation is provided at the Corporation tax rate ruling at the balance sheet date 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.

## NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1979 (CONT)

## 3. ULTIMATE HOLDING COMPANY

The ultimate holding company is The Bowater Corporation Limited, a company incorporated in England.

## 4. SALES

	1979	1978
	-----	-----
	£000	£000
	-----	-----
Sales include: to subsidiaries	1,288	1,024
to fellow subsidiaries	6,434	5,306
	=====	=====

## 5. TRADING PROFIT

Stated after charging:

Depreciation	1,734	1,469
Hire of plant and machinery	590	584
Directors' emoluments	213	181
Auditors' remuneration	30	26
	=====	=====

and after crediting:

Investment grants	198	222
Interest receivable	-	33
	=====	=====

## 6. INTEREST PAYABLE

Bank loans and overdrafts	200	107
Other short term borrowings	523	350
Loan capital	900	900
	-----	-----
	1,623	1,357
	=====	=====

## 7. DIRECTORS' EMOLUMENTS (excluding pension contributions)

	£	£
The Chairman, who was also the highest paid director	30,429	26,770

The other directors received remuneration within the limits stated below:

	Directors	
	-----	-----
	1979	1978
£10,001 - £15,000	-	1
£15,001 - £20,000	3	3
£20,001 - £25,000	3	2

## NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1979 (CONT)

8. TAXATION	1979	1978
	-----	-----
	£000	£000
	-----	-----
(i) The taxation charge comprises:		
Amount payable for group relief	2,336	2,925
Deferred taxation.	1,001	-
	-----	-----
	3,337	2,925
	=====	=====

The amount payable for group relief represents relief at 52% on tax losses surrendered by fellow subsidiaries.

If the charge had been calculated on the full deferral basis, it would have been lower by £367,000 (1978: higher by £907,000).

## (ii) Deferred taxation comprises:

	Provision in accounts		Full deferral (memorandum only)	
	1979	1978	1979	1978
	-----	-----	-----	-----
	£000	£000	£000	£000
	-----	-----	-----	-----
Depreciation	-	-	5,747	4,585
Stock relief	1,160	-	1,564	1,995
Other timing differences	(419)	-	(419)	(62)
	-----	-----	-----	-----
	741	-	6,892	6,518
	=====	=====	=====	=====



## NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1979 (CONT)

9. EXTRAORDINARY ITEM	1979	1978
	£000	£000
Provision for closure costs of discontinued operation	(2,000)	
Deferred taxation thereon	260	
	(1,740)	-
	=====	=====
10. INVENTORIES		
Inventories comprise:		
Raw materials and other stores	9,688	7,557
Work in progress	1,306	1,198
Finished products	4,114	3,498
	15,108	12,253
	=====	=====
11. INTER GROUP BALANCES		
Due from:		
Parent Corporation	-	5,386
Fellow subsidiaries	2,325	708
Subsidiaries	14,681	7,326
	17,006	13,420
	=====	=====
Due to:		
Parent Corporation	1,714	-
Fellow subsidiaries	5,290	6,134
Subsidiaries	704	704
	7,708	6,838
	=====	=====
NET	9,298	6,582
	=====	=====

## NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1979 (CONT)

## 12. INVESTMENT IN SUBSIDIARIES

The subsidiary companies at 31st December 1979, which are all incorporated in England, are stated at cost, less amounts written off, and are as follows:

	% of ordinary share capital held
	-----
Hugh Stevenson & Sons Limited	100
Hugh Stevenson & Sons (North East) Limited	100*
Monmouthshire Board Mills Limited	100*
Bowater Containers Limited	100
Bowater Industrial Packaging Limited	100
Bowater Consumer Packaging Limited	100
Bowater PKL (UK) Limited	70
Cross Paperware Limited	100

\* Held through Hugh Stevenson & Sons Limited

Group accounts have not been prepared since the company is a wholly owned subsidiary of a company incorporated in England.

The directors are of the opinion that the investment in subsidiary companies is worth not less than the balance sheet value.

## 13. FIXED ASSETS

	Cost	Depreciation	1979 Net Book Value	1978 Net Book Value
	-----	-----	-----	-----
	£	£	£	£
Freehold land and buildings	1,934	543	1,391	1,416
Leasehold land and buildings				
Long leases (over 50 years unexpired)	441	189	252	267
Short leases	2,081	833	1,248	1,072
Plant and machinery	24,906	13,239	11,667	9,679
	-----	-----	-----	-----
	29,362	14,804	14,558	12,434
	=====	=====	=====	=====

Changes in fixed assets at cost during the year were:

Additions	3,983
	=====
Disposals	609
	=====

## NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1979 (CONT)

14. SHARE CAPITAL	1979 ----- £000 -----	1978 ----- £000 -----
Ordinary shares of £1 each		
Authorised £10,000,000		
Issued and fully paid	6,780 =====	6,780 =====
15. INVESTMENT GRANTS		
At 1st January 1979	954	887
Receivable on capital expenditure	185	289
Credited to profit and loss account	(198) -----	(222) -----
At 31st December, 1979	941 =====	954 =====
16. LOAN CAPITAL		
Unsecured loans from Parent Corporation (repayable within five years)	31,321 =====	30,091 =====
Certain of the unsecured loans are interest free. During the year the rate of interest charged on the remainder was 10% per annum, this is subject to variation.		
17. CAPITAL EXPENDITURE COMMITMENTS		
For which contracts have been placed	1,276 =====	
Authorised but not contracted	468 =====	
18. CONTINGENT LIABILITIES		
(i) As a member of The Bowater United Kingdom Group for VAT purposes, the company has joint and several liability for all amounts due to Customs and Excise under this arrangement.		
(ii) Bills receivable discounted amounted to £193,000.		