

192236

BOWATER PACKAGING LIMITED

192236/215

DIRECTORS' REPORT

The directors present the accounts of the company for the year ended 31st December, 1977.

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, J.C. Hallam, S.T. Lane, J.L.C. Mott, and P.S. Williams held office throughout the year. Mr. C.H.H. Cook was appointed to the Board during the year following the retirement of Mr. P.D. Pattrick. Mr. B.H.A. Ball was elected Chairman of the Board upon the retirement of Mr. F.S. Hayes.

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:

| | Held Beneficially | |
|--|-------------------|--------|
| | 31.12.77 | 1.1.77 |
| <u>The Bowater Corporation Limited</u> | | |
| <u>Ordinary shares of £1</u> | | |
| B.H.A. Ball | 285 | 250 |

ACCOUNTS

The profit for the year after taxation and dividend receivable amounted to £4,159,000. To this is added the balance brought forward of £2,210,000 making £6,369,000. The directors have declared an interim dividend of £2,500,000 and do not recommend the payment of a final dividend. There remains a balance of £3,869,000 to be carried forward.

SUBSIDIARY COMPANY

During the year the company acquired the whole of the equity capital of Cross Paperware Limited for a consideration of £779,688 satisfied by the issue of 129,948 ordinary shares of £1 each in the capital of the company at a premium of £5.00 per share

CAPITALISATION ISSUE

On 26th August 1977 the company issued by way of capitalisation of share premium account 649,737 shares of £1 each credited as fully paid.



BOWATER PACKAGING LIMITED

2.

EXPORTS

The sales value of goods exported during the year was £2,294,000
(1976 - £1,641,000)

31st March, 1978.



By order of the Board

A.J. GRAY

Secretary

Turquands Barton Mayhew & Co.

Chartered Accountants

Lynton House, 7 Tavistock Square, London WC1H 9LS

BOWATER PACKAGING LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts on pages 4 to 11 which have been prepared under the historical cost convention.

In our opinion the accounts give, under the accounting convention stated above, a true and fair view of the state of affairs of the company at 31st December 1977 and of the profit for the year ended on that date 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 requirements of Statement of Standard Accounting Practice No 10.

TURQUANDS BARTON MAYHEW & CO

31st March 1978

BOWATER PACKAGING LIMITED

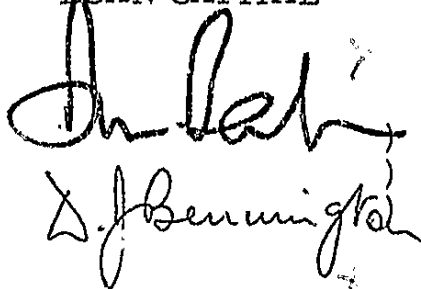
PROFIT AND LOSS ACCOUNT - YEAR ENDED 31st DECEMBER, 1977

| | <u>Note</u> | <u>£ 000s</u> | <u>1976</u> <u>£ 000s</u> |
|--|-------------|---------------|------------------------------|
| SALES | (3) | <u>95,240</u> | <u>78,836</u> |
| TRADING PROFIT | (4) | 9,504 | 7,441 |
| INTEREST PAYABLE | (7) | <u>1,421</u> | <u>1,064</u> |
| PROFIT BEFORE TAXATION | | 8,083 | 6,377 |
| TAXATION | (8) | <u>4,153</u> | <u>3,362</u> |
| PROFIT AFTER TAXATION | | 3,930 | 3,015 |
| DIVIDEND FROM SUBSIDIARY | | <u>229</u> | <u>692</u> |
| NET PROFIT FOR THE YEAR | | 4,159 | 3,707 |
| AT 1st JANUARY, 1977 | | <u>2,210</u> | <u>1,503</u> |
| | | 6,369 | 5,210 |
| INTERIM DIVIDEND | | <u>2,500</u> | <u>3,000</u> |
| RETAINED PROFIT AT 31st DECEMBER, 1977 | | <u>3,869</u> | <u>2,210</u> |

BOWATER PACKAGING LIMITED

BALANCE SHEET - 31st DECEMBER, 1977

| | Note | £ 000s | 1976 £ 000s |
|---|------|----------|----------------|
| CURRENT ASSETS | | | |
| Cash | | 2,319 | 1,000 |
| Accounts receivable | | 13,138 | 13,081 |
| Taxation recoverable | | 121 | 122 |
| Inventories | (10) | 12,065 | 10,521 |
| | | 27,643 | 24,724 |
| CURRENT LIABILITIES | | | |
| Bank overdrafts | | - | 1,276 |
| Accounts payable | | 8,618 | 8,782 |
| Dividend | | 2,500 | 3,000 |
| | | (11,118) | (13,058) |
| NET CURRENT ASSETS | | 16,525 | 11,666 |
| INVESTMENT IN SUBSIDIARY COMPANIES | (9) | 14,440 | 13,485 |
| FIXED ASSETS | (11) | 11,036 | 9,898 |
| INTER GROUP BALANCES | (12) | (867) | (225) |
| | | 41,134 | 34,824 |
| Represented by:- | | | |
| SHARE CAPITAL | (13) | 6,780 | 6,000 |
| RETAINED PROFIT | | 3,869 | 2,210 |
| | | 10,649 | 8,210 |
| TAX EQUALISATION | (8) | 1,942 | 1,462 |
| INVESTMENT GRANTS | (14) | 887 | 822 |
| LOAN CAPITAL | (15) | 27,656 | 24,330 |
| | | 41,134 | 34,824 |



Directors

NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1977

ACCOUNTING POLICIES

1. 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.

The annual rates of depreciation used are as follows:-

| | |
|---|--|
| Freehold land | Nil |
| Freehold buildings | 2% |
| Leasehold land and buildings | |
| - long leases (over 50 years unexpired) | 2% |
| Leasehold land and buildings | |
| - short leases | at appropriate rates varying from 2% to 25% |
| Plant and machinery | at appropriate rates varying from 5% to 33 $\frac{1}{3}$ % |

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 the assets before deducting grants.

Inventories

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

Conversion of foreign currencies

The rates of exchange ruling at the year end are used for the conversion into sterling of assets and liabilities in foreign currencies.

Tax Equalisation

The charge for tax equalisation represents tax on the difference between depreciation and fiscal allowances together with other timing differences arising in the year. No adjustment is made to amounts provided in past years for subsequent changes in rates of taxation.

Advance corporation tax is available for set-off against mainstream corporation tax liabilities and any unused amount may be carried forward without time limit. Unused advance corporation tax of the company and that surrendered to it by the Parent Corporation is set against tax equalisation.

ULTIMATE HOLDING COMPANY

2. The company is a wholly owned subsidiary of The Bowater Corporation Limited, a company incorporated in England.

BOWATER PACKAGING LIMITED

NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1977 (CONTINUED)

SALES

3. Sales include £9,138,000 to fellow subsidiaries (1976 £5,067,000)

TRADING PROFIT

| | 1977 <u>£000s</u> | 1976 <u>£000s</u> |
|--|----------------------|----------------------|
| 4. | | |
| Stated after charging:- | | |
| Depreciation | 1,341 | 1,350 |
| Hire of plant, machinery and computers | 521 | 445 |
| Directors' remuneration for executive services | 189 | 147 |
| Exgratia payment to former directors | 12 | - |
| Auditors' remuneration | 23 | 23 |
| and after crediting:- | | |
| Investment grants | 213 | 174 |
| | <u> </u> | <u> </u> |

DIRECTORS' REMUNERATION - excluding pension contributions.

| | | | |
|----|--|-------------------|-------------------|
| 5. | The Chairman, who was also the highest paid director, received remuneration of - | <u>1977</u> £ | <u>1976</u> £ |
| | | 25,620 | 24,270 |
| | | <u> </u> | <u> </u> |

The other directors received remuneration within the limits stated:-

| | | <u>1977</u> | <u>1976</u> |
|---------|-----------|-------------|-------------|
| £2,501 | - £5,000 | - | 1 |
| £7,501 | - £10,000 | 1 | - |
| £10,001 | - £12,500 | - | 2 |
| £12,501 | - £15,000 | 2 | - |
| £15,001 | - £17,500 | 1 | 2 |
| £17,501 | - £20,000 | 2 | 2 |
| £20,001 | - £22,500 | 2 | - |

EMPLOYEES' REMUNERATION

6. The number of employees who received remuneration in excess of £10,000 is as follows:-

| | | <u>1977</u> | <u>1976</u> |
|---------|-----------|-------------|-------------|
| £10,001 | - £12,500 | 5 | 5 |
| £12,501 | - £15,000 | 14 | - |
| £15,001 | - £17,500 | 3 | - |

BOWATER PACKAGING LIMITED

NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1977 (CONTINUED)

INTEREST PAYABLE

| | 1977 <u>£000s</u> | 1976 <u>£000s</u> |
|--|----------------------|----------------------|
| 7. | | |
| Loan capital - short term | 1 | 4 |
| Bank overdrafts | 170 | 160 |
| Unsecured loan from the Parent Corporation | 1,250 | 900 |
| | <u>1,421</u> | <u>1,064</u> |

TAXATION

8. (i) The taxation charge comprises:

| | | |
|---------------------------------|--------------|--------------|
| Amount payable for group relief | 3,012 | 1,986 |
| Tax equalisation | 1,141 | 1,376 |
| | <u>4,153</u> | <u>3,362</u> |

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

The effect of UK. stock relief in 1977 amounts to £186,000. Additional stock relief of £82,000 is also available in respect of previous years. Corresponding credits for both the amounts have been taken to tax equalisation.

(ii) Tax equalisation at 31st December:-

| | 1977 <u>£000s</u> | 1976 <u>£000s</u> |
|--|----------------------|----------------------|
| Depreciation and other timing differences | 3,610 | 2,737 |
| Stock relief | 2,001 | 1,733 |
| | <u>5,611</u> | <u>4,470</u> |
| Less: United Kingdom advance corporation tax recoverable provisionally surrendered by Parent Corporation | 3,669 | 3,008 |
| | <u>1,942</u> | <u>1,462</u> |

BOWATER PACKAGING LIMITED

NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1977 (CONTINUED)

INVESTMENT IN SUBSIDIARY COMPANIES

9. The company has the following investments in subsidiary companies, each of which is incorporated in England:-

| | <u>% of ordinary share capital held</u> |
|--|---|
| 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 as the company is itself the wholly owned subsidiary of a company incorporated in England. The directors are of the opinion that the investments in subsidiary companies are worth not less than their balance sheet value.

INVENTORIES

| | <u>1977 £000s</u> | <u>1976 £000s</u> |
|--------------------------------|-----------------------|-----------------------|
| 10. Inventories comprise:- | | |
| Raw materials and other stores | 7,791 | 6,993 |
| Work in progress | 1,064 | 1,106 |
| Finished products | 3,210 | 2,422 |
| | <u>12,065</u> | <u>10,521</u> |

FIXED ASSETS

| 11. | <u>Cost £000s</u> | <u>Depreciation £000s</u> | <u>Net Book Value 1977 £000s</u> | <u>Net Book Value 1976 £000s</u> |
|---------------------------------------|-----------------------|-------------------------------|--|--|
| Freehold land and buildings | 1,918 | 461 | 1,457 | 1,492 |
| Leasehold land and buildings | | | | |
| Long leases (over 50 years unexpired) | 441 | 160 | 281 | 297 |
| Short leases | 1,876 | 747 | 1,129 | 1,203 |
| Plant and machinery | <u>19,566</u> | <u>11,397</u> | <u>8,169</u> | <u>6,906</u> |
| | <u>23,801</u> | <u>12,765</u> | <u>11,036</u> | <u>9,898</u> |

BOWATER PACKAGING LIMITED

NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1977 (CONTINUED)

Changes in fixed assets at cost during the year were:-

| | <u>£ 000s</u> |
|-----------|---------------|
| Additions | 2,699 |
| Disposals | <u>563</u> |

INTER GROUP BALANCES

| | 1977 <u>£ 000s</u> | 1976 <u>£ 000s</u> |
|---------------------|-----------------------|-----------------------|
| 12. Due from: | | |
| Parent Corporation | - | 1,074 |
| Fellow subsidiaries | 1,789 | 822 |
| Subsidiaries | <u>6,984</u> | <u>3,822</u> |
| | <u>8,773</u> | <u>5,718</u> |
| Due to: | | |
| Parent Corporation | 2,202 | - |
| Fellow subsidiaries | 6,734 | 5,239 |
| Subsidiaries | <u>704</u> | <u>704</u> |
| | <u>(9,640)</u> | <u>(5,943)</u> |
| | <u>(867)</u> | <u>(225)</u> |

SHARE CAPITAL

| | | |
|----------------------------|---------------|--------------|
| 13. | | |
| Ordinary shares of £1 each | | |
| Authorised | <u>10,000</u> | <u>6,000</u> |
| Issued and fully paid | <u>6,780</u> | <u>6,000</u> |

INVESTMENT GRANTS

| | | | |
|-------------------------------------|--------------|--------------|--|
| 14. | | | |
| At 1st January, 1977 | 822 | 895 | |
| Receivable on capital expenditure | 278 | 101 | |
| Credited to profit and loss account | <u>(213)</u> | <u>(174)</u> | |
| At 31st December, 1977 | <u>887</u> | <u>822</u> | |

BOWATER PACKAGING LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1977 (CONTINUED)

LOAN CAPITAL - repayable within five years

| | 1977 <u>£ 000s</u> | 1976 <u>£ 000s</u> |
|--|-----------------------|-----------------------|
| 15. Unsecured loans from parent Corporation | 27,656 | 24,300 |
| Department of Trade and Industry loan(secured) | - | 30 |
| | <u>27,656</u> | <u>24,330</u> |

Certain of the unsecured loans from the parent Corporation were interest free and interest was charged on the remainder at 10%, the rate of interest is subject to variation.

CAPITAL EXPENDITURE

| | | | |
|-----|--|------------|------------|
| 16. | | | |
| | For which contracts have been placed | <u>725</u> | <u>346</u> |
| | Authorised by the directors but not contracted | <u>732</u> | <u>200</u> |

CONTINGENT LIABILITIES

17(i) As a member of the Bowater United Kingdom Group for V.A. T. purposes, the company has joint and several liability for all amounts due to Customs and Excise under this arrangement.

(ii) Bills receivable discounted at 31st December, 1977 amounted to £145,000.