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# BOWATER PACKAGING LIMITED

## DIRECTORS' REPORT

The directors present the accounts of the company for the year ended 31st December, 1976.

## 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. F.S. Hayes, B.H.A. Ball, D.J. Bennington, J.C. Hallam, S.T. Lane, P.D. Pattrick and P.S. Williams held office throughout the year. Mr. J.L.C. Mott was appointed to the Board during the year.

## DIRECTORS' INTERESTS

The directors of the company who held office at 31st December, 1976 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		Held as Trustee	
	31.12.76	1.1.76	31.12.76	1.1.76
<u>The Bowater Corporation Limited</u>				
<u>Ordinary shares of £1</u>				
P.D. Pattrick	46	322	860	400
B.H.A. Ball	250	250	-	-

## ACCOUNTS

The profit for the year after taxation and dividend receivable amounted to £3,707,000. To this is added the balance brought forward of £1,503,000 making £5,210,000. The directors have declared an interim dividend of £3,000,000 and do not recommend the payment of a final dividend. There remains a balance of £2,210,000 to be carried forward.

## EXPORTS

The sales value of goods exported during the year was £1,641,000 (1975 - £1,225,000).

By order of the Board

D.A. REES

Secretary

31st March 1977



# 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 of the company on pages 3 to 10 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, 1976 and of the profit and the source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

TURQUANDS BARTON MAYHEW & CO.

31st March, 1977

## BOWATER PACKAGING LIMITED

## PROFIT AND LOSS ACCOUNT - YEAR ENDED 31st DECEMBER, 1976

	<u>Note</u>	<u>£000s</u>	<u>1975</u> <u>£000s</u>
SALES	(3)	<u>78,836</u>	<u>64,945</u>
TRADING PROFIT	(4)	7,441	5,962
INTEREST PAYABLE	(7)	<u>1,064</u>	<u>1,402</u>
PROFIT BEFORE TAXATION		6,377	4,560
TAXATION	(8)	<u>3,362</u>	<u>2,506</u>
PROFIT AFTER TAXATION		3,015	2,054
DIVIDEND FROM SUBSIDIARY		<u>692</u>	<u>1,300</u>
NET PROFIT FOR THE YEAR		3,707	3,354
AT 1st JANUARY, 1976		<u>1,503</u>	<u>4,279</u>
		5,210	7,633
INTERIM DIVIDEND		<u>3,000</u>	<u>6,130</u>
RETAINED PROFITS AT 31st DECEMBER, 1976		<u>2,210</u>	<u>1,503</u>

## BOWATER PACKAGING LIMITED

## BALANCE SHEET - 31st DECEMBER, 1976

	<u>Note</u>	<u>£000s</u>	<u>1975</u> <u>£000s</u>
CURRENT ASSETS			
Cash		1,000	743
Accounts receivable		13,081	10,792
Taxation recoverable		122	121
Inventories	(10)	10,521	8,591
		24,724	20,247
CURRENT LIABILITIES			
Bank overdrafts		1,276	1,471
Accounts payable		8,782	7,202
Dividend		3,000	630
		(13,058)	(9,303)
NET CURRENT ASSETS		11,666	10,944
INVESTMENT IN SUBSIDIARY COMPANIES	(9)	13,485	13,373
FIXED ASSETS	(11)	9,898	9,613
INTER GROUP BALANCES	(12)	(225)	70
		34,824	34,000
Represented by:-			
SHARE CAPITAL	(13)	6,000	6,000
RETAINED PROFITS		2,210	1,503
		8,210	7,503
TAX EQUALISATION	(8)	1,462	1,012
INVESTMENT GRANTS	(14)	822	895
LOAN CAPITAL	(15)	24,330	24,590
		34,824	34,000

F. S. HAYES            )  
                               ) Directors  
 D. J. BENNINGTON    )

## BOWATER PACKAGING LIMITED

NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1976

## 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.

## 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.

## SALES

3. Sales include £5,067,000 to fellow subsidiaries (1975 £3,939,000).

## BOWATER PACKAGING LIMITED

## NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1976 (Continued)

## TRADING PROFIT

4.	1976 <u>£000s</u>	1975 <u>£000s</u>
Stated after Charging:-		
Depreciation	1,350	1,320
Hire of plant, machinery and computers	445	447
Directors' remuneration for executive services	147	126
Ex-gratia payment to former director		5
Auditors' remuneration	23	20
and after crediting :-		
Proceeds of insurance claims	-	578
Investment grants	174	191
	<u>          </u>	<u>          </u>

## DIRECTORS' REMUNERATION - excluding pension contributions

5. The Chairman, who was also the highest paid director, received remuneration of :-

1976	1975
£ 24,270	£ 22,125
<u>          </u>	<u>          </u>

The other directors received remuneration within the limits stated:-

£0. - £2,500	-	3
£2,501 - £5,000	1	1
£10,001- £12,500	2	-
£12,501- £15,000	-	1
£15,001- £17,500	2	3
£17,501- £20,000	2	-

## EMPLOYEES' REMUNERATION

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

£10,001 - £12,500	5	4
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## INTEREST PAYABLE

7.	1976 <u>£000s</u>	1975 <u>£000s</u>
Loan capital - short term	4	8
Bank overdrafts	160	144
Unsecured loan from the Parent Corporation	900	1,250
	<u>          </u>	<u>          </u>
	1,064	1,402
	<u>          </u>	<u>          </u>

## NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1976 (Continued)

## TAXATION

	1976 £000s	1975 £000s
8. (i)		
United Kingdom corporation tax recoverable	-	(124)
Amount payable for group relief	1,986	2,837
Tax equalisation	<u>1,376</u>	<u>(207)</u>
	<u>3,362</u>	<u>2,506</u>

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

The effect of U.K. stock relief in 1976 amounts to £483,000. Additional stock relief of £378,000 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 :-

	1976 £000s	1975 £000s
Depreciation and other timing differences	2,737	2,222
Stock relief	<u>1,733</u>	<u>872</u>
	4,470	3,094
Less: United Kingdom advance corporation tax recoverable provisionally surrendered by Parent Corporation	<u>3,008</u>	<u>2,082</u>
	<u>1,462</u>	<u>1,012</u>

## INVESTMENT IN SUBSIDIARY COMPANIES

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

	% 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

\* 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.

## NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1976 (Continued)

## INVENTORIES

	1976	1975
	<u>£000s</u>	<u>£000s</u>
10. Inventories comprise:-		
Raw materials and other stores	6,993	5,552
Work in progress	1,106	898
Finished products	2,422	2,141
	<u>10,521</u>	<u>8,591</u>

## FIXED ASSETS

11.	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value 1976</u>	<u>Net Book Value 1975</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Freehold land and buildings	1,913	421	1,492	1,530
Leasehold land and buildings				
Long leases (over 50 years unexpired)	441	144	297	341
Short leases	1,920	717	1,203	1,187
Plant and machinery	17,434	10,528	6,906	6,555
	<u>21,708</u>	<u>11,810</u>	<u>9,898</u>	<u>9,613</u>

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

	<u>£000s</u>
Additions	<u>2,043</u>
Disposals	<u>1,077</u>

## INTER GROUP BALANCES

12. Due from :	<u>1976</u>	<u>1975</u>
	<u>£000s</u>	<u>£000s</u>
Parent Corporation	1,074	-
Fellow subsidiaries	822	1,398
Subsidiaries	3,822	3,155
	<u>5,718</u>	<u>4,553</u>
Due to :		
Parent Corporation	-	405
Fellow subsidiaries	5,239	3,374
Subsidiaries	704	704
	<u>5,943</u>	<u>4,483</u>
	<u>( 225 )</u>	<u>70</u>



## BOWATER PACKAGING LIMITED

## NOTES ON THE ACCOUNTS - YEAR ENDED 31st DECEMBER, 1976 (Continued)

## SHARE CAPITAL

	1976 <u>£000s</u>	1975 <u>£000s</u>
13. Ordinary shares of £1 each		
Authorised, issued and fully paid	<u>6,000</u>	<u>6,000</u>

## INVESTMENT GRANTS

14. At 1st January, 1976	895	829
Receivable on capital expenditure	101	257
Credited to profit and loss account	<u>(174)</u>	<u>(191)</u>
At 31st December, 1976	<u>822</u>	<u>895</u>

## LOAN CAPITAL - repayable within five years

15. Unsecured loans from parent Corporation	24,300	24,500
Department of Trade and Industry loan (secured)	<u>30</u>	<u>90</u>
	<u>24,330</u>	<u>24,590</u>

(a) 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.

(b) The Department of Trade and Industry loan is repayable in half-yearly instalments up to 30th June, 1977, together with interest at 5% per annum.

## CAPITAL EXPENDITURE

16.	1976 <u>£000s</u>	1975 <u>£000s</u>
For which contracts have been placed	<u>£346</u>	<u>£305</u>
Authorised by the directors but not contracted	<u>£200</u>	<u>£1,589</u>

## CONTINGENT LIABILITY

17. 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.

## BOWATER PACKAGING LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
YEAR ENDED 31st DECEMBER, 1976

	<u>Note</u>	<u>£000s</u>	<u>1975</u> <u>£000s</u>
SOURCE OF FUNDS			
Profit before taxation		6,377	4,560
Dividends received from subsidiaries and associated companies		-	1,700
Revenue items not involving the movement of funds (depreciation, investment grants etc.)		1,091	1,126
		<hr/>	<hr/>
Dividends paid		7,468	7,386
		630	6,650
		<hr/>	<hr/>
		6,838	736
New loan capital		-	5,500
Disposal of fixed assets		441	118
Investment grants		134	251
Tax refund received		-	17
Net decrease in working capital		-	4,380
		<hr/>	<hr/>
		7,413	11,002
APPLICATION OF FUNDS			
Repayment of loan capital		200	80
Fixed assets		2,043	1,729
Investment in subsidiaries		112	42
Net inter-group payments		1,175	3,066
Net increase in working capital		2,621	-
		<hr/>	<hr/>
		6,211	4,917
INCREASE IN FUNDS GENERATED			
		<hr/>	<hr/>
		1,202	6,085
Increase in net liquid funds	(1)	452	3,585
Net intergroup cash payments	(2)	750	2,500
		<hr/>	<hr/>
		1,202	6,085

Note

1. Net liquid funds comprise cash and bank borrowings.
2. The company maintains a designated cash account with the Parent Corporation. Payments on this inter-group account are shown under this heading.