

# SCA PACKAGING BRITAIN LIMITED

(Registered Number 192236)

Directors' Report and Financial Statements  
for the year ended 31 December 1999



# SCA PACKAGING BRITAIN LIMITED

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# SCA PACKAGING BRITAIN LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 1999.

## RESULTS AND REVIEW OF ACTIVITIES

The results for the year are given on page 6.

The Company's principal activities are the production of corrugated packaging and packaging materials and provision of packaging services.

On 16 February 1999 the Company was acquired by SCA Holding Limited. In a subsequent reorganisation of SCA Holding Limited's packaging interests, the business of the Company and its net trading assets were transferred to SCA Packaging Limited at net book amount. This transaction took effect on 28 February 1999. The consideration was satisfied by an intercompany loan. The Company has not traded since this date.

## DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividend was paid during the year (1998: £106,750,000). The directors do not recommend the payment of a final dividend (1998: £nil). The loss for the year of £8,257,000 (1998: £32,354,000 loss) has been transferred to reserves.

## DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

S G Haglund	(appointed 16 February 1999)
R L Holdron	(appointed 21 January 2000, resigned 15 January 2001)
C J Williams	(appointed 16 February 1999)
J K Brown	(resigned 30 April 1999)
S A Bull	(resigned 16 February 1999)
D W Gibson	(resigned 16 February 1999)
R J Kalveks	(resigned 16 February 1999)
W H Moran	(resigned 16 February 1999)
M G Schmidt	(appointed 16 February 1999, resigned 21 January 2000)
A D Thorne	(appointed 16 February 1999, resigned 1 October 2000)
P J Venner	(resigned 16 February 1999)
D R Stead	(appointed 15 January 2001)
J D Williams	(appointed 15 January 2001)

None of the directors who held office at the year end had any interest in the shares or debentures of the Company or any of its holding companies incorporated in Great Britain.

No directors had, at any time during the year, any material interest in a contract with the Company.

# SCA PACKAGING BRITAIN LIMITED

## INSURANCE EFFECTED FOR OFFICERS

During the year the Company maintained insurance for directors and other officers against liabilities in relation to the Company.

## AUDITORS

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

## CHARITABLE AND POLITICAL DONATIONS

The donations made by the Company during the year for charitable purposes amounted to £16,000 (1998: £9,000). No donations were made for political purposes.

## LAYING OF ACCOUNTS

In accordance with Section 252 (1) of the Companies Act 1985 the Company has elected not to lay its report and accounts before the members in the general meeting.

By order of the Board



A J Staples  
Secretary

14 May 2001

# SCA PACKAGING BRITAIN LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on pages 9 and 10 under Note 1 "Principal Accounting Policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 1999 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



A J Staples  
Company Secretary

14 May 2001

## **AUDITORS' REPORT TO THE MEMBERS OF** **SCA PACKAGING BRITAIN LIMITED**

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 9 and 10.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

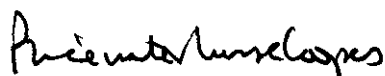
### **Basis of audit opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
Maidstone

14 May 2001

# SCA PACKAGING BRITAIN LIMITED

## Profit and loss account for the year ended 31 December 1999

	<u>Note</u>	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
<b>Turnover</b>	2	<b>23,442</b>	254,378
Cost of sales		<b>(10,967)</b>	(112,557)
<b>Gross profit</b>		<b>12,475</b>	141,821
Net operating expenses		<b>(8,723)</b>	(119,596)
<b>Operating profit</b>	3	<b>3,752</b>	22,225
Provision against fixed asset investments	9	<b>(10,180)</b>	-
Profit on disposal of businesses		-	30,160
Income from subsidiary undertakings		-	31,250
Interest receivable	5	<b>419</b>	1,009
Interest payable	5	<b>(390)</b>	(10,085)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(6,399)</b>	74,559
Taxation	6	<b>(1,858)</b>	(163)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(8,257)</b>	(74,396)
Dividends	7	-	(106,750)
<b>Loss for the year</b>		<b>(8,257)</b>	(32,354)

All the Company's operations were discontinued on 28 February 1999.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 9 to 17 form part of these financial statements.

# SCA PACKAGING BRITAIN LIMITED

## Note of historical cost profits and losses

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Reported (loss)/ profit on ordinary activities before taxation	(6,399)	74,559
Realisation of property revaluation gains of previous years	4,122	3,168
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	94
Historical cost (loss)/profit on ordinary activities before taxation	<u>(2,277)</u>	<u>77,821</u>
Historical cost loss for the year after taxation and dividends	<u>(4,135)</u>	<u>(29,092)</u>

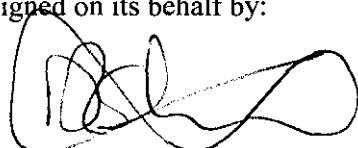


# SCA PACKAGING BRITAIN LIMITED

## Balance sheet - 31 December 1999

	Note	1999 £000	1998 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	-	51,031
Investments	9	26,473	36,653
		<u>26,473</u>	<u>87,684</u>
<b>CURRENT ASSETS</b>			
Stocks	10	-	6,577
Debtors: amounts falling due after more than one year	11	112,617	-
Debtors: amounts falling due within one year	11	-	95,675
Cash at bank and in hand		-	12,838
		<u>-</u>	<u>115,090</u>
CREDITORS: amounts falling due within one year	12	-	(51,489)
<b>NET CURRENT ASSETS</b>		<u>112,617</u>	<u>63,601</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>139,090</b>	<b>151,285</b>
CREDITORS: amounts falling due after more than one year	12	-	(3,500)
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	(438)
<b>NET ASSETS</b>		<u><b>139,090</b></u>	<u><b>147,347</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	8,833	8,833
Share premium account	15	121,146	121,146
Revaluation reserve	15	-	4,122
Profit and loss account	15	9,111	13,246
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	<u><b>139,090</b></u>	<u><b>147,347</b></u>

The financial statements on pages 6 to 17 were approved by the Board of Directors on 14 May 2001 and signed on its behalf by:



D R Stead (director)

The notes on pages 9 to 17 form part of these financial statements.

# **SCA PACKAGING BRITAIN LIMITED**

## **Notes to the financial statements - 31 December 1999**

### **1) Principal Accounting Policies**

#### **a) Accounting convention**

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention as modified by the revaluation of certain fixed assets. A summary of the principal accounting policies, all of which have been applied consistently, is set out below.

#### **b) Depreciation**

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a straight-line basis over their estimated useful economic life. Freehold buildings and leasehold land and buildings are depreciated over their estimated future useful lives or, if shorter, the period of the lease. Estimated useful economic lives for buildings range up to 50 years. The depreciation rates for plant and machinery are from 5% to 33%. Freehold land is not depreciated. Assets in the course of construction or development are not depreciated.

#### **c) Government grants**

Grants received from 1 January 1991, where material, have been included in the balance sheet as deferred income, which is then credited to the profit and loss account over the related asset's useful life. Grants received prior to that date have been credited against the cost of the asset to which they relate.

#### **d) Leased assets**

Where assets are financed by leasing arrangements which give risks and rewards approximating to ownership ("finance leases") they are treated as if they have been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge. This interest charge in the profit and loss account is made on a straight-line basis, reflecting the nature of the contracts. All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account as incurred.

#### **e) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Exchange differences arising on transactions are dealt with in the profit and loss account.

#### **f) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis; in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

# **SCA PACKAGING BRITAIN LIMITED**

## **Notes to the financial statements - 31 December 1999 - continued**

### **1) Principal Accounting Policies continued**

#### **g) Turnover**

Turnover represents the invoiced value of goods and services supplied by the Company exclusive of Value Added Tax, sales between divisions and trade discounts.

#### **h) Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. Account is taken of the effect of timing differences between the accounting and tax treatment of certain items of revenue and expense to the extent that it is probable that a liability will arise or that an asset will be realised in the foreseeable future.

#### **j) Pensions**

During the period for which the Company continued to trade, the majority of employees belonged to employee benefit plans of the Company's former ultimate holding company, Rexam plc. These were defined benefit schemes and the charge in these accounts represents contributions paid to the schemes. The charge does not take full account of the actuarial surplus disclosed 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.

On 1 November 1999, after the transfer of the Company's trade to SCA Packaging Ltd, the majority of employees exercised their option to join schemes run by the SCA group in the UK. Full details of these schemes are given in the accounts of SCA UK Holdings Limited.

#### **k) Cashflow statements**

As the SCA Group controls in excess of 90% of the voting rights of the Company, and the consolidated financial statements in which the Company's results are included are publicly available, the Company is exempt from preparing a cashflow statement under the provision of FRS1 (Revised).

# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 - continued

### 2) Turnover

The geographical analysis of the Company's turnover by destination is as follows:

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
United Kingdom	22,416	231,954
Europe (excluding the UK)	969	20,052
Rest of the World	57	2,372
	<u>23,442</u>	<u>254,378</u>

All turnover originates in the United Kingdom.

### 3) Operating profit

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Operating profit is stated after charging/(crediting):		
Depreciation	931	11,185
Hire of plant and machinery	69	702
Other operating lease rentals	70	806
Diminution in value of fixed assets (see note 8)	1,870	-
Profit on disposal of fixed assets	(9)	-
Research and development	-	545
Auditors' remuneration: Audit fees	7	152
Other fees	-	4
	<u></u>	<u></u>

### 4) Directors and employees

#### a) Average number of employees

The average number of persons employed by the Company during the year was

<u>1999</u>	<u>1998</u>
<u>264</u>	<u>3,193</u>

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Staff costs for the above persons:		
Wages and salaries	5,011	49,726
Social security costs	422	4,363
Other pension costs (note 21)	393	3,894
	<u>5,826</u>	<u>57,983</u>

Employees of the Company were transferred to a fellow subsidiary during the year. The Company had no employees at the end of the year.

# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 - continued

### 4) Directors and employees - continued

#### b) Directors' emoluments

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Aggregate emoluments	-	229
Company pension contributions to money purchase schemes	-	20

### 5) Interest

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
<u>Interest receivable and similar income</u>		
Group companies	282	-
External	137	1,009
	<u>419</u>	<u>1,009</u>

#### Interest payable and similar charges

Borrowings wholly repayable within five years:

- not by instalments on bank loans and overdrafts

Group companies	346	708
External	10	455
	<u>356</u>	<u>1,163</u>

Borrowings not repayable within five years:

Group companies	-	8,723
External	34	199
	<u>34</u>	<u>8,922</u>

Total interest payable and similar charges	<u>390</u>	<u>10,085</u>
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### 6) Tax on profit on ordinary activities

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
United Kingdom corporation tax @ 30 % (1998: 31%)	1,900	3,555
Group relief from fellow subsidiaries	-	417
Advance corporation tax surrendered by ultimate parent company	-	(562)
Adjustment to prior years	(42)	(823)
Deferred tax	-	(2,424)
	<u>1,858</u>	<u>163</u>

# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 – continued

### 7) Dividends

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Interim dividend of £nil (1998:£12.0854 per ordinary share)	-	834

### 8) Tangible fixed assets

	<u>Land buildings</u> <u>£000</u>	<u>Plant and equipment</u> <u>£000</u>	<u>Total</u> <u>£000</u>
<u>Cost or valuation</u>			
At 1 January 1999	18,476	69,747	88,223
Additions	1	471	472
Disposals	-	(120)	(120)
Diminution in value	-	(1870)	(1870)
Group transfers	(18,477)	(68,228)	(86,705)
<b>At 31 December 1999</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Depreciation</u>			
At 1 January 1999	2,103	35,089	37,192
Charge for the year	40	891	931
Disposals	-	(110)	(110)
Group transfers	(2,143)	(35,870)	(38,013)
<b>At 31 December 1999</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Net book value</u>			
<b>At 31 December 1999</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 1 January 1999	16,373	34,658	51,031

The net book value of land and buildings comprises:

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Freehold property	-	15,818
Long leaseholds	-	88
Short leaseholds	-	467
	<b>-</b>	<b>16,373</b>

# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 - continued

### 9) Investments

	£000
<u>Cost</u>	
At 31 December 1998 and 31 December 1999	36,653
<u>Provision</u>	
At 31 December 1998	-
Provision made during the year	(10,180)
<u>Net book value</u>	
At 31 December 1999	<u>26,473</u>

The Company holds the entire ordinary share capital (except where indicated) of the following companies:

SCA Packaging Cartons & Print North Limited  
 SCA Packaging Cartons & Print South Limited  
 SCA Packaging Cartons & Print Scotland Limited  
 SCA Packaging Heavy Duty Limited  
 SCA Packaging John Horn Limited (registered in Scotland)  
 SCA Packaging North East Limited  
 SCA Packaging North West Limited  
 SCA Packaging Scotland Limited  
 SCA Packaging South East Limited  
 SCA Packaging South West Limited  
 SCA Packaging CPS Limited (registered in Scotland)  
 SCA Packaging CPN Limited  
 SCA Packaging Kirby Cartons Limited  
 SCA Packaging Tritex Cardboard Packaging Limited  
 Technicarton SA (30%) (registered in Spain)

All subsidiaries are dormant and except where indicated are registered in England and Wales

In the opinion of the directors the aggregate value of the assets consisting of shares in or amounts owing from subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated or included in the Company's balance sheet.

### 10) Stocks

	<u>1999</u>	<u>1998</u>
	£000	£000
Raw materials and consumables	-	4,224
Work in progress	-	294
Finished goods	-	2,059
	<u>-</u>	<u>6,577</u>

# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 - continued

### 11) Debtors

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Amounts falling due within one year:		
Trade debtors	-	24,620
Amounts owed by group undertakings:		
Parent company and fellow subsidiary undertakings	-	68,866
Subsidiary undertakings	-	2,087
Other debtors	-	102
	<hr/>	<hr/>
	-	95,675
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Amounts owed by group undertakings:		
Parent company and fellow subsidiary undertakings	<b>112,617</b>	-
	<hr/>	<hr/>

### 12) Creditors

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Amounts falling due within one year:		
Trade creditors	-	22,149
Amounts owed to group undertakings:		
Parent company and fellow subsidiary undertakings	-	23,033
Subsidiary undertakings	-	38
Amount due to subsidiary undertaking	-	63
Taxation and social security	-	3,619
Deferred consideration	-	500
Fixed asset creditor	-	334
Other creditors	-	1,753
	<hr/>	<hr/>
	-	51,489
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Loan capital	-	3,500
	<hr/>	<hr/>



# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 - continued

### 13) Provisions for liabilities and charges

#### Reorganisation and other provisions

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
At 1 January 1999	363	2,693
Profit and loss account	-	(457)
Other movement	(363)	(1,873)
At 31 December 1999	-	363

#### Deferred taxation

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
At 31 December 1998	-	1,766
Profit and loss account	-	(2,424)
Other movement	-	658
At 31 December 1999	-	-

### 14) Share capital

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Authorised: 10,000,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid: 8,833,000 Ordinary shares of £1 each	8,833	8,833

### 15) Reserves

	<u>Share premium</u> <u>£000</u>	<u>Revaluation reserves</u> <u>£000</u>	<u>Profit and loss</u> <u>£000</u>
At 31 December 1998	121,146	4,122	13,246
Loss for the financial year	-	-	(8,257)
Reserves transfer	-	(4,122)	4,122
At 31 December 1999	121,146	-	9,111

The reserves transfer during the year arises from the transfer of previously revalued fixed assets to other group companies at their revalued net book value.

# SCA PACKAGING BRITAIN LIMITED

## Notes to the financial statements - 31 December 1999 - continued

### 16) Reconciliation of movements in shareholders' funds

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Shareholders' funds as at 31 December 1998	147,347	179,701
(Loss)/profit for the financial year	(8,257)	74,396
Ordinary dividends paid	-	(106,750)
Shareholders' funds as at 31 December 1999	<u>139,090</u>	<u>147,347</u>

### 17) Contingent liabilities

The UK Group of Companies, of which this Company is a member, has given joint and several guarantees to its principal clearing banker in respect of banking facilities. At the year end the total facilities offered were £30m but the actual pooled balance was a net deposit balance with its principal clearing banker of £374,679 (1998: net overdraft of £106,098).

### 18) Related Party Transactions

As the Company is a 100% subsidiary of SCA Holding Limited whose results are included in the consolidated results of Svenska Cellulosa Aktiebolaget, the Company has taken advantage of the exemption from disclosing transactions with Group undertakings as permitted by FRS 8.

There are no other related party transactions.

### 19) Ultimate holding company and controlling party

The Company is a subsidiary of SCA UK Holdings Limited, a company registered in England.

The Company's ultimate holding company and controlling party is Svenska Cellulosa Aktiebolaget, SCA, a company incorporated in Sweden. Copies of the accounts may be obtained from the Company Secretary, SCA Packaging House, 543 New Hythe Lane, Larkfield, Aylesford, Kent, ME20 7PE.