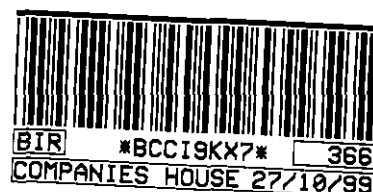


MITEK INDUSTRIES LIMITED

(Registered Number 944342)

DIRECTORS REPORT AND ACCOUNTS

For the year ended 31 December 1998



28.10.99

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DIRECTORS REPORT

The Directors present their report for the year ended 31st December 1998

RESULTS AND DIVIDENDS

The retained loss for the period amounts to £215,308 (1996 - £509,277). The Directors do not propose to pay a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activities of the company are the manufacture of connector plates; supply of building software, technical support and design services, the supply of builder products; the supply of machinery for the manufacture of trussed rafters exclusively for the truss construction industry in the UK and Eire.

POST BALANCE SHEET EVENT

On 3 June 1999, the authorised share capital of the Company was increased from £50,000 to £2,650,000 by the creation of 2,600,000 ordinary shares of £1 each which rank pari passu with the ordinary shares in issue. By way of a rights issue on the same date 2,600,000 ordinary shares were issued and allotted.

FUTURE DEVELOPMENTS

The Directors consider the company will show increased turnover and a return to profitability in the ensuing year

RESEARCH & DEVELOPMENT

MiTék has continued to invest in product research and development and to improve the high quality of its computer services.

DIRECTORS AND DIRECTORS INTERESTS

The Directors of the company during the year ended 31 December 1998 were :

H.D. Du Preez

A.J. Fillingham

S.J. Griffiths

T. Jenkins

(Resigned 6 February 1998)

E.M. Toombs

L. Wasserstein

The options over ordinary shares granted to the Directors under the Senior Executive Share Option Scheme and the Savings Related Share Option Scheme together with the beneficial interests of the Directors in the ordinary share capital of Rexam plc were as follows:

DIRECTORS AND DIRECTORS INTERESTS (contd)

	Beneficial Interests		Executive Scheme		Savings Related Scheme	
	1998	1997	1998	1997	1998	1997
H.D. DuPreez	-	-	-	-	-	0
A.J. Fillingham	-	-	-	-	3,422	1,897
S.J. Griffiths	-	-	10,000	10,000	9,012	5,231
E.M. Toombs	-	-	-	-	-	-
L.Wasserstein	-	-	10,000	10,000	-	-

Further details may be found in the annual report and accounts of Rexam plc

PAYMENTS TO SUPPLIERS

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.

The creditor days at 31 December 1998 was 64.0 days

FIXED ASSETS

Details of the Company's Fixed Assets are given in Note 9 of the accounts.

YEAR 2000 COMPLIANCE

MiTek Industries Ltd, as part of the Rexam Group, has implemented a programme for addressing the problems associated with the Year 2000 date issue.

The programme has been co-ordinated to identify risks and address compliance within business, production and facility systems. It also involves review of customer and supplier systems where failures could impact the company.

Regular reporting of the status of the company's plans is made via sector management to the Board of Rexam and this will continue throughout the coming year. While we are confident that our systems will be compliant we cannot be certain that those we trade with will achieve compliance. We are therefore continuing to discuss these issues with our key suppliers and customers so as to reduce the possible disruption to our business.

YEAR 2000 COMPLIANCE (contd)

A large proportion of the compliance effort has been in the normal upgrades and replacement of existing business systems, some of which have been accelerated so as to address the Year 2000 issue. The majority of these costs have therefore been capitalised in accordance with our normal accounting policies. Specific costs for rectifying systems solely to address the Year 2000 issue have been modest and the amounts charged to profit and loss account in 1998 are less than £5,000. It is expected that the direct cost to be charged to the profit and loss account for the current financial year (1999) will be in the region of £95,000.

AUDITORS

Ernst & Young have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure the financial statements comply with the Companies Act 1985 (as amended).

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

By Order of the Board

A.J. Cook
Company Secretary


.....
15/10/99

REPORT OF THE AUDITORS
to the members of Mitek Industries Limited

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention as modified by the revaluation of properties, and on the basis of the accounting policies set out on pages 7 and 3.

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.

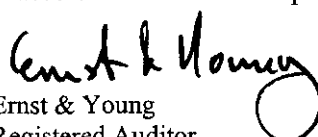
Basis of opinion

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 Group'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 1998 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Birmingham

26 October 1999

PROFIT AND LOSS ACCOUNT
For the year ended 31, December 1998

	Notes	1998 £	1997 £
TURNOVER			
Continuing Operations	2	9,517,819	9,001,929
Discontinued Operations		0	123,596
		<u>9,517,819</u>	<u>9,125,525</u>
 Cost of Sales	 3	 <u>(6,363,239)</u>	 <u>(6,550,803)</u>
 GROSS PROFIT		 3,154,580	 2,574,722
 Operating Expenses	 3	 (3,189,773)	 (3,052,789)
Other Operating Income	3	<u>222,218</u>	<u>185,950</u>
 OPERATING PROFIT (LOSS)			
Continuing Operations	4	187,025	(302,109)
Discontinued Operations		0	9,992
		<u>187,025</u>	<u>(292,117)</u>
 Continuing Operations			
Profit on Sale of Fixed Assets	4	338	45,701
 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		 <u>187,363</u>	 <u>(246,416)</u>
 Interest Payable	5	 <u>(402,671)</u>	 <u>(262,861)</u>
 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		 (215,308)	 (509,277)
 Taxation on Loss on Ordinary Activities	8	 <u>0</u>	 <u>0</u>
 LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		 (215,308)	 (509,277)
 Dividends		 0	 0
 RETAINED LOSS FOR THE YEAR		 <u>(215,308)</u>	 <u>(509,277)</u>

A statement of movement in reserves is given in note 18 of the accounts

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £215,308 for the year ended 31st December 1998 (1997: £509,277)

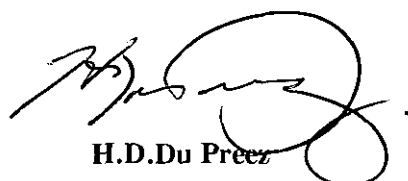
BALANCE SHEET

For the year ended 31, December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible Assets	9	<u>1,838,665</u>	<u>1,973,026</u>
CURRENT ASSETS			
Stocks	10	944,043	1,200,011
Debtors	11	3,107,113	2,736,199
Cash at Bank and in Hand		-	-
		<u>4,051,156</u>	<u>3,936,210</u>
CREDITORS -			
Amounts falling due within one year	12	<u>(6,444,595)</u>	<u>(6,108,702)</u>
NET CURRENT LIABILITIES		<u>(2,393,439)</u>	<u>(2,172,492)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(554,774)	(199,466)
ACCRUALS AND DEFERRED INCOME	14	(85,000)	(90,000)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(158,472)	(293,472)
NET (LIABILITIES)/ASSETS		<u>(798,246)</u>	<u>(582,938)</u>
CAPITAL AND RESERVES			
Called up Share Capital	16	37,160	37,160
Profit and Loss Account		<u>(835,406)</u>	<u>(620,098)</u>
EQUITY SHAREHOLDERS FUNDS	17	<u>(798,246)</u>	<u>(582,938)</u>

Approved By the Board on 15 OCTOBER 1999

Director


H.D. Du Preez

NOTES ON THE ACCOUNTS**For the year ended 31, December 1998****FUNDAMENTAL ACCOUNTING CONCEPT**

The company is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due.

The parent company has agreed not to recall amounts advanced by it to the company at 31st December 1998 until all other creditors have been met. The directors believe that it is appropriate to prepare the accounts on a going concern basis.

1 STATEMENT OF ACCOUNTING POLICIES**Basis of Preparation**

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

Turnover

Turnover comprises the invoiced value of sales, exclusive of VAT. It excludes revenue from the sale of engineering design work which is included in other operating income.

Depreciation

The cost of tangible fixed assets is written off by equal annual instalments over their expected useful lives as follows:

	<u>Years</u>
Leasehold Improvements	10 - 20 years
Plant and Equipment	2 - 10 years
Motor Vehicles	3 - 4 years

Stocks

Stocks are valued at the lower of cost and net realisable value after making allowance for any obsolescence or slow moving items. In the case of finished goods or work in progress cost comprises materials, direct labour and an appropriate proportion of manufacturing overheads.

Research and Development

Expenditure on research and development is written off in the year in which it is incurred

Deferred Taxation

Provision is made for deferred taxation using the liability method on short term timing differences and all other material timing differences which are not expected to continue in the future

NOTES ON THE ACCOUNTS**For the year ended 31, December 1998****STATEMENT OF ACCOUNTING POLICIES (Continued)****Pensions**

The company operates a contributory, defined benefit scheme on behalf of its employees. The pension fund is administered by Trustees and is accounted for separately from the company finances. The company contributions are paid in accordance with actuarial advice and are charged so as to spread the cost of pensions over the average expected remaining service lives of current employees.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction; assets and liabilities at the balance sheet date are translated at the year end exchange rate. The resultant exchange adjustments are dealt with in the profit and loss account.

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the terms of the leases.

Government Grants

Government grants in respect of capital expenditure are credited to a deferred income account and then released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Cash Flow Statement

A Cash Flow Statement has not been prepared in accordance with FRS1 (Revised 1996) as the company is a wholly owned subsidiary undertaking of Rexam plc.

A Group Cash Flow statement has been presented in the accounts of Rexam plc.

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

2 GEOGRAPHICAL ANALYSIS OF TURNOVER

	1998	1997
	£	£
United Kingdom	6,027,540	5,798,217
Other European Countries	3,490,279	3,327,308
	<u>9,517,819</u>	<u>9,125,525</u>

3 COST OF SALES AND OPERATING EXPENSES

	Contin- uing	1998 Discon- tinued	Total	Contin- uing	1997 Discon- tinued	Total
Cost of sales	6,363,239	-	6,363,239	6,460,657	90,146	6,550,803
Selling & Distribution	1,141,832	-	1,141,832	1,252,807	15,161	1,267,968
Administrative Expenses	<u>2,047,941</u>	<u>-</u>	<u>2,047,941</u>	<u>1,776,524</u>	<u>8,297</u>	<u>1,784,821</u>
	<u>3,189,773</u>	<u>-</u>	<u>3,189,773</u>	<u>3,029,331</u>	<u>23,458</u>	<u>3,052,789</u>
Other operating income	(222,218)	-	(222,218)	(185,950)	-	(185,950)

4 OPERATING PROFIT/(LOSS)

is stated after charging / (crediting):

	1998 £	1997 £
Depreciation and Amortisation of Fixed Assets	459,081	496,596
Operating Lease Rentals:		
Hire of Plant and Equipment	15,737	10,195
Other	225,855	184,536
Auditors' remuneration		
- Audit Fees	17,566	18,566
Foreign Exchange (Gains) / Losses	(105,456)	(35,950)
Profit on Disposal of Fixed Assets	(338)	(45,701)
Government Grants	(5,000)	(5,000)

5 INTEREST PAYABLE

	1998 £	1997 £
Bank Interest Payable	(225,592)	(184,688)
Interest Payable to Group Undertakings	<u>(177,079)</u>	<u>(78,173)</u>
	<u>(402,671)</u>	<u>(262,861)</u>

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

6 DIRECTORS EMOLUMENTS

The emoluments, excluding pension contributions, of directors of the company are detailed as follows :

	1998 £	1997 £
Emoluments	<u>251,943</u>	<u>264,031</u>

	1998 Nos	1997 Nos
Members Of Defined Benefit Pension Schemes	<u>4</u>	<u>5</u>

The amounts in respect of the highest paid director are as follows :

	1998 £	1997 £
Emoluments	<u>56,992</u>	<u>64,500</u>

	1998 £	1997 £
Accrued Pension Benefits	<u>19,760</u>	<u>2,435</u>

7 STAFF COSTS

	1998 £	1997 £
Wages & Salaries	1,680,903	1,646,353
Social Security Costs	156,363	163,363
Other Pension Costs	<u>95,515</u>	<u>104,090</u>
	<u>1,932,781</u>	<u>1,913,806</u>

The average number of persons employed by the company, including directors during the year was as follows :

	1998 Nos	1997 Nos
Management	4	5
Sales, Design, Software & Administration	41	40
Production & Distribution	<u>33</u>	<u>38</u>
	<u>78</u>	<u>83</u>

8 TAXATION ON LOSS ON ORDINARY ACTIVITIES

No current Tax charges arise in 1998 due to the level of tax losses carried forward

	1998 £	1997 £
UK Corporation tax at 31% (1997 : 31%)	0	0
Adjustments relating to prior years	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

9 TANGIBLE FIXED ASSETS

	Short Term Leasehold Improvements £	Plant, Equipment and Motor Vehicles £	Total £
Cost			
As at 1 January 1998	739,220	2,876,325	3,615,545
Additions	32,220	324,289	356,509
Disposals	-	(133,885)	(133,885)
As at 31 December 1998	<u>771,440</u>	<u>3,066,729</u>	<u>3,838,169</u>
Depreciation			
As at 1 January 1998	90,749	1,551,770	1,642,519
Provided during the year	65,076	394,005	459,081
Disposals	-	(132,096)	(132,096)
As at 31 December 1998	<u>155,825</u>	<u>1,813,679</u>	<u>1,969,504</u>
Net Book Value			
As at 31 December 1998	<u>615,615</u>	<u>1,253,050</u>	<u>1,868,665</u>
As at 31 December 1997	<u>648,471</u>	<u>1,324,555</u>	<u>1,973,026</u>

10 STOCKS

	1998 £	1997 £
Raw Materials	110,957	353,059
Finished Goods	<u>833,086</u>	<u>846,952</u>
	<u>944,043</u>	<u>1,200,011</u>

The replacement value of stocks is not significantly different from the amounts stated above.

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

11 DEBTORS

	1998	1997
	£	£
Trade Debtors	1,634,951	1,767,529
Amounts owed by Group Undertakings	1,328,711	679,897
Corporation Tax Recoverable	0	0
Other Debtors	55,011	147,472
Prepayments and Accrued Income	88,440	141,301
	<u>3,107,113</u>	<u>2,736,199</u>

12 CREDITORS - Amounts falling due within one year

	1998	1997
	£	£
Bank Overdraft (Unsecured)	2,681,275	2,728,971
Trade Creditors	790,474	1,327,455
Amounts owed to Group Undertakings	2,496,179	1,766,980
Other Taxation and Social Security	55,668	39,036
Accruals and Deferred Income	415,696	235,805
Reorganisation	5,303	10,455
	<u>6,444,595</u>	<u>6,108,702</u>

13 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

At 31 December 1998, the Company has Annual Commitments under Non-cancellable Operating Leases as set out below:

	Land and Buildings 1998	Other 1998	Land and Buildings 1997	Other 1997
	£	£	£	£
Operating Leases which expire:				
Within One Year	13,855	4,477	5,100	-
In the Second to Fifth Years Inclusive	-	11,260	5,100	17,276
Over Five Years	212,000	-	212,000	-
	<u>225,855</u>	<u>15,737</u>	<u>222,200</u>	<u>17,276</u>

The Leases of Land and Buildings are subject to rent review.

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

14 ACCRUALS AND DEFERRED INCOME

	<u>1998</u>	<u>1997</u>
	£	£
Government Grant		
As at 1 January 1998	90,000	95,000
Released during the Year	<u>(5,000)</u>	<u>(5,000)</u>
As at 31 December 1998	<u>85,000</u>	<u>90,000</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

The full potential deferred tax liability, calculated under the liability method, at the rate of 30% (1997 : 31%), is :

	<u>1998</u>	<u>1997</u>
	£	£
Accelerated capital allowances	106,000	83,000
Other timing differences	(27,000)	(28,000)
Tax Losses carried forward	<u>(79,000)</u>	<u>(55,000)</u>
	<u>0</u>	<u>0</u>

Midland House

The company made full provision for the disposal of its former offices at Midland House, Halesowen in 1996.

During the year certain obligations with regard to termination of the lease were fulfilled.

Further payments are to be made in 1999

	<u>1998</u>	<u>1997</u>
	£	£
Balance as at 1st January 1998	293,472	520,000
Released during the year	<u>(135,000)</u>	<u>(226,528)</u>
Balance as at 31st December 1998	<u>158,472</u>	<u>293,472</u>

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

16 SHARE CAPITAL

	Authorised		Allotted, Called up and Fully Paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary Shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>37,160</u>	<u>37,160</u>

17 MOVEMENT IN SHAREHOLDERS FUNDS

	1998	1997
	£	£
Shareholders Funds' as at 1 January 1998	(582,938)	(73,661)
(Loss) for the Financial Year	(215,308)	(509,277)
Shareholders Funds' as at 31 December 1998	<u>(798,246)</u>	<u>(582,938)</u>

18 CAPITAL COMMITMENTS

	1998	1997
	£	£
Expenditure contracted for but not provided for	<u>13,000</u>	<u>8,000</u>

19 POST BALANCE SHEET EVENT

On 3 June 1999, the authorised share capital of the company was increased from £50,000 to £2,650,000 by the creation of £2,600,000 ordinary shares of £1 each which rank pari passu with the ordinary shares in issue. By way of a rights issue on the same date, 2,600,000 ordinary shares were issued and allotted.

NOTES ON THE ACCOUNTS

For the year ended 31, December 1998

20 PENSIONS

The company operates a defined benefit scheme, the assets of which are held independently of the Company's finances.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The last actuarial valuation was carried out at 1 May 1998

The principal actuarial assumptions used for accounting purposes were:

Investment Return	8.0%
Salary Growth	6.0%
Price Inflation	4.0%
LPI Pension increases	3.5%
Dividend Growth	4.5%

The pension charge for the period was £95,517 (1997 - £104,090) which includes the amortisation of surpluses that are being recognised over the remaining service lives of employees.

The most recent actuarial valuation showed that the actuarial value of the scheme's assets was £2,162,000 and was sufficient to cover 104.6 % of the benefits that has accrued to members, after allowing for expected future increases in earnings.

The contributions of the company and employees have been amended to 6.0% and 4.0% of earnings respectively.

21 RELATED PARTY TRANSACTIONS

The Company takes advantage of the provisions of FRS 8 not to disclose transactions between Group Companies.

22 PARENT UNDERTAKING

The Immediate Parent Undertaking is MiTek Inc. a company incorporated in the USA and whose address is :

14515 North Outer Forty
Suite 300,
Chesterfield
Missouri, 63017
USA

The Ultimate Parent Undertaking is Rexam PLC which is registered in England. Copies of the Rexam Group accounts can be obtained from the Company Secretary, Rexam PLC, 114 Knightsbridge, London, SW1X 7NN.