

MITEK INDUSTRIES LIMITED

(Registered Number 944342)

DIRECTORS REPORT AND ACCOUNTS

For the year ended 31 December 1999



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Directors Report

The Directors present their report and accounts for the year ended 31st December 1999.

Results and Dividends

The Directors are pleased to report a significant improvement in the trading results of the company. The retained profit for the year amounts to £739,167 (1998 Loss - £215,308). The Directors do not propose to pay a dividend.

Principal Activities

The principal activities of the company are the manufacture of metal connector plates and the supply of building software, design services, builder products and machinery for the manufacture of trussed rafters for the construction industry.

Future Developments

The Directors intend to build on the progress made during 1999 by increasing turnover and profitability in the forthcoming year.

Research and Development

MiTek continues to seek out new products to enhance its existing comprehensive range. Software development is ongoing, in order to ensure that our customers have the most advanced software available.

Events since the Balance Sheet date

In April 2000 the company acquired the entire issued share capital of B&Z Software Technology Limited for the consideration of £1.75m.

B&Z Software Technology Limited is the holding company of RCS Construction Software Limited.

Directors and Directors Interests

The Directors of the company during the year ended 31 December 1999 were :

H.D. Du Preez
A.J. Fillingham
S.J. Griffiths
E.M. Toombs
L. Wasserstein

Directors and Directors Interests (continued)

No Directors have a beneficial interest in the ordinary share capital of Rexam plc. The options granted to the Directors under the Senior Executive Share Option and the Savings Related Share Option Scheme in the ordinary share capital of Rexam plc were as follows:

	Executive Scheme		Savings Related Scheme	
	1999	1998	1999	1998
H.D. DuPreez	-	-	-	-
A.J. Fillingham	-	-	3,422	3,422
S.J. Griffiths	10,000	10,000	9,012	9,012
E.M. Toombs	-	-	-	-
L. Wasserstein	10,000	10,000	-	-

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 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 1999 was 64.8 days (1998 - 64.0 days)

Fixed Assets

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

Year 2000 Compliance

The programme of work carried out throughout the last two years has ensured that the company has not encountered any difficulties with respect to the Year 2000 date recognition issue. The company continues to monitor the situation, but does not expect to be affected by Year 2000 date recognition issues.

Specific costs incurred in the disposal of internal systems not recognised as Year 2000 compliant by their suppliers were £108,722. The total cost of replacement of these systems incurred in 1998 and 1999 was £154,053.

Auditors

The company has elected under the elective regime of s.386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually. As a result Ernst & Young will continue to be appointed for the ensuing year.

By Order of the Board.



A.J. Cook
Company Secretary

Statement of Directors responsibilities in respect of the Accounts

Company law requires the Directors to prepare accounts for each financial 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 accounts, 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume 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 accounts 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.

**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 and on the basis of the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

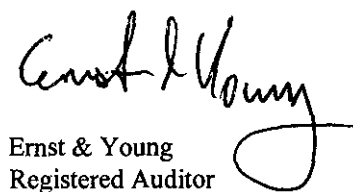
Basis of opinion

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 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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Birmingham

Dated:

Profit & Loss Account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	11,274,218	9,517,819
Cost of Sales		<u>(6,755,620)</u>	<u>(6,363,239)</u>
Gross Profit		4,518,598	3,154,580
Selling and Distribution Expenses	3	(2,170,354)	(1,926,274)
Administrative Expenses	3	(1,611,524)	(1,263,499)
Other Operating Income		<u>286,856</u>	<u>222,218</u>
Operating Profit	3	1,023,576	187,025
(Loss) / Profit on Disposal of Fixed Assets	4	(107,119)	338
Profit on ordinary activities before interest		<u>916,457</u>	<u>187,363</u>
Interest Receivable		11,532	-
Interest Payable	5	<u>(188,822)</u>	<u>(402,671)</u>
Profit / (Loss) on ordinary activities before taxation		739,167	(215,308)
Taxation	8	-	-
Retained Profit / (Loss) for the year		<u><u>739,167</u></u>	<u><u>(215,308)</u></u>

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £739,167 for the year ended 31 December 1999 (1998 Loss: £215,308)

Reconciliation of Movement of Shareholders' Funds

	1999 £	1998 £
Profit / (Loss) for the Financial Year	739,167	(215,308)
Share issue	2,600,000	-
Net Increase / (Decrease) in Shareholders' Funds	3,339,167	(215,308)
Opening Shareholders' Funds	<u>(798,246)</u>	<u>(582,938)</u>
Closing Shareholders' Funds	<u><u>2,540,921</u></u>	<u><u>(798,246)</u></u>

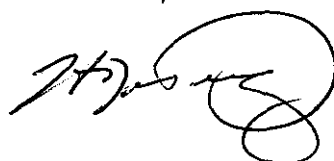
Balance Sheet

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Fixed Assets			
Tangible Assets	9	<u>1,534,413</u>	<u>1,838,665</u>
Current Assets			
Stocks	10	589,757	944,043
Debtors	11	4,700,303	3,107,113
Cash at Bank and in Hand		<u>51,824</u>	<u>-</u>
		5,341,884	4,051,156
Creditors			
Amounts falling due within one year	12	<u>(4,255,376)</u>	<u>(6,444,595)</u>
Net Current Assets / (Liabilities)		<u>1,086,508</u>	<u>(2,393,439)</u>
Total Assets Less Current Liabilities		2,620,921	(554,774)
Accruals and Deferred Income	14	(80,000)	(85,000)
Provisions for Liabilities and Charges	15	-	(158,472)
Net Assets / (Liabilities)		<u>2,540,921</u>	<u>(798,246)</u>
Capital and Reserves			
Called up Share Capital	16	2,637,160	37,160
Profit and Loss Account		<u>(96,239)</u>	<u>(835,406)</u>
Equity Shareholders' Funds		<u>2,540,921</u>	<u>(798,246)</u>

Approved By the Board of Directors on 2/5/00

H.D.Du Preez
Director



Notes to the Accounts

For the year ended 31 December 1999

1 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 to the Accounts

For the year ended 31 December 1999

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 to the Accounts

For the year ended 31, December 1999

2 Geographical Analysis of Turnover

	1999	1998
	£	£
United Kingdom	6,108,023	5,399,302
Other European Countries	5,148,637	4,103,634
Rest Of the World	17,558	14,883
	<u>11,274,218</u>	<u>9,517,819</u>

The Geographical analysis for 1998 has been restated

3 Operating Profit

is stated after charging / (crediting):

	1999	1998
	£	£
Depreciation and Amortisation of Fixed Assets	420,083	459,081
Operating Lease Rentals:		
Hire of Plant and Equipment	5,335	15,737
Other	215,165	225,855
Auditors' remuneration		
- Audit Fees	16,396	17,566
Foreign Exchange Losses / (Gains)	169,103	(105,456)
Loss / (Profit) on Disposal of Fixed Assets	107,119	(338)
Government Grants	(5,000)	(5,000)
	<u></u>	<u></u>

Selling and Administrative expenses for 1998 have been restated

4 Loss on Disposal of Fixed Assets

The loss on disposal includes the write down of software and hardware assets used for internal accounting and manufacturing systems which were stated as non Year 2000 compliant by their suppliers.

5 Interest Payable

	1999	1998
	£	£
Bank Interest Payable	(85,868)	(225,592)
Interest Payable to Group Undertakings	<u>(102,954)</u>	<u>(177,079)</u>
	<u>(188,822)</u>	<u>(402,671)</u>

Notes to the Accounts

For the year ended 31 December 1999

6 Directors Emoluments

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

	1999 £	1998 £
Emoluments	<u>226,699</u>	<u>251,943</u>

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

	£	£
The amounts in respect of the highest paid director are as follows :		
Emoluments	<u>60,437</u>	<u>56,992</u>

7 Staff Costs

	1999 £	1998 £
Wages & Salaries	1,723,424	1,680,903
Social Security Costs	152,109	156,363
Other Pension Costs	<u>110,812</u>	<u>95,515</u>
	<u>1,986,345</u>	<u>1,932,781</u>

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

	Nos	Nos
Management	4	4
Sales, Design, Software & Administration	39	41
Production & Distribution	<u>35</u>	<u>33</u>
	<u>78</u>	<u>78</u>

8 Taxation on Profits on Ordinary Activities

No liability to taxation arises in 1999 or 1998 due to the level of brought forward tax losses.

Notes to the Accounts

For the year ended 31 December 1999

9 Tangible Fixed Assets

	Leasehold Improvements	Plant, Equipment and Motor Vehicles	Total
	£	£	£
Cost			
As at 1 January 1999	771,440	3,066,729	3,838,169
Additions	-	236,261	236,261
Disposals	(1,076)	(601,891)	(602,967)
As at 31 December 1999	<u>770,364</u>	<u>2,701,099</u>	<u>3,471,463</u>
Depreciation			
As at 1 January 1999	155,825	1,843,679	1,999,504
Provided during the year	65,602	354,481	420,083
Disposals	(150)	(482,387)	(482,537)
As at 31 December 1999	<u>221,277</u>	<u>1,715,773</u>	<u>1,937,050</u>
Net Book Value			
As at 31 December 1999	<u>549,087</u>	<u>985,326</u>	<u>1,534,413</u>
As at 31 December 1998	<u>615,615</u>	<u>1,223,050</u>	<u>1,838,665</u>

10 Stocks

	1999	1998
	£	£
Raw Materials	165,762	110,957
Finished Goods	<u>423,995</u>	<u>833,086</u>
	<u>589,757</u>	<u>944,043</u>

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

Notes to the Accounts

For the year ended 31 December 1999

11 Debtors

	1999	1998
	£	£
Trade Debtors	1,766,733	1,634,951
Amounts owed by Group Undertakings	2,741,697	1,328,711
Other Debtors	97,272	55,011
Prepayments and Accrued Income	94,601	88,440
	<u>4,700,303</u>	<u>3,107,113</u>

12 Creditors - Amounts falling due within one year

	1999	1998
	£	£
Bank Overdraft (Unsecured)	841,441	2,681,275
Trade Creditors	1,151,500	790,474
Amounts owed to Group Undertakings	1,421,959	2,496,179
Other Taxation and Social Security	75,495	55,668
Accruals and Deferred Income	761,182	415,696
Reorganisation	3,799	5,303
	<u>4,255,376</u>	<u>6,444,595</u>

13 Obligations Under Leases and Hire Purchase Contracts

At 31 December 1999, the Company has Annual Commitments under Non-cancellable Operating Leases as set out below:

	Land and Buildings 1999	Other 1999	Land and Buildings 1998	Other 1998
	£	£	£	£
Operating Leases which expire:				
Within One Year	2,160	1,361	13,855	4,477
In the Second to Fifth Years	-	9,389	-	11,260
Over Five Years	287,000	-	212,000	-
	<u>289,160</u>	<u>10,750</u>	<u>225,855</u>	<u>15,737</u>

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

Notes to the Accounts

For the year ended 31 December 1999

14 Accruals and Deferred Income

	1999	1998
	£	£
Government Grant		
As at 1 January 1999	85,000	90,000
Released during the Year	(5,000)	(5,000)
As at 31 December 1999	<u>80,000</u>	<u>85,000</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% (1998 : 30%), is :

	1999	1998
	£	£
Accelerated capital allowances	57,000	106,000
Other timing differences	(26,000)	(27,000)
Tax Losses carried forward	<u>(31,000)</u>	<u>(79,000)</u>
	<u>-</u>	<u>-</u>

Midland House

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

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

	1999	1998
	£	£
Balance as at 1st January 1999	158,472	293,472
Released during the year	<u>(158,472)</u>	<u>(135,000)</u>
Balance as at 31st December 1999	<u>-</u>	<u>158,472</u>

Notes to the Accounts

For the year ended 31 December 1999

16 Share Capital

	Authorised		Allotted, Called up and Fully Paid	
	1999	1998	1999	1998
	£	£	£	£
Ordinary Shares of £1 each	<u>2,650,000</u>	<u>50,000</u>	<u>2,637,160</u>	<u>37,160</u>

On June 3 1999 ,the authorised share capital of the company was increased from £50,000 to to £2,650,000 by the creation of 2,600,000 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.

17 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 £110,812 (1998 - £95,517) which includes the amortisation of surpluses that are being recognised over the remaining service lives of employees.

Notes to the Accounts**For the year ended 31 December 1999****Pensions (continued)**

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

18 Capital Commitments

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Expenditure contracted for but not provided for	<u>57,000</u>	<u>13,000</u>

19 Related Party Transactions

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

20 Post Balance Sheet Event

In April 2000 the company acquired the entire issued share capital of B&Z Software Technology Limited for the consideration of £1.75m.

B&Z Software Technology Limited is the holding company of RCS Construction Software Limited.

21 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 & Wales

Copies of the Rexam PLC group accounts can be obtained from the Company Secretary, Rexam PLC, 4 Millbank, London SW1P 3XR