

## REXAM COMBIBLOC LIMITED

REGISTERED NO: 1146077

### DIRECTORS' REPORT

The Directors present the accounts of the company for the year ended 31st December 1999.

### PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Company is the manufacture and sale of liquid packaging cartons and the sale of associated machinery for the forming and filling of cartons.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £4,627,000. The year's results were considered to be satisfactory by the Directors.

The Directors have declared an interim dividend of £1,500,000 and recommend the payment of a final dividend of £1,000,000 leaving retained profit of £2,127,000 to be carried to reserves.

### FUTURE DEVELOPMENTS

The Directors will continue to manage the business with a view to improving the Company's profitability in the current year.

### DIRECTORS

Herr W W Schafers held office throughout the year.

Mr W H Moran resigned on 2nd August 1999

Mr A F Waters resigned on 31st December 1999

Mr J D Williams was appointed on 2nd August 1999

Mr N G Mernock was appointed on 1st January 2000

### DIRECTORS' INTERESTS

The directors who held office at the end of the year were interested (as defined in the Companies Act 1985 and according to the Register maintained there under) in shares in Rexam PLC as follows

	Ordinary Shares of 64 2/7p each		Share Options* Executive 1984		Share Options* Executive 1997		Share Options* SAYE		Share Options* Long Term Incentive (Maximum Shares)	
	1.1.99	31.12.99	1.1.99	31.12.99	1.1.99	31.12.99	1.1.99	31.12.99	1.1.99	31.12.99
A F Waters	0	0	18,386	18,386	22,923	58,637	6,869	8,330	0	0
J D Williams	0	0	0	0	271,374	271,374	10,714	10,714	80,300	80,300
W W Schafers	0	0	0	0	0	0	0	0	0	0

\* full details of the share option schemes can be found in the report and accounts of Rexam PLC



## **POLITICAL AND CHARITABLE DONATIONS**

During the year, the Company made various Charitable donations totalling £2081.

## **DIRECTORS RESPONSIBILITIES**

### **Preparation of the Financial Statements**

This statement, which should be read together with the auditors report set out on page 4, is made with the view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and the the profit or loss for the financial year.

The directors are required to prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors consider that in preparing the financial statements on pages 5 to 15 appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have the general responsibility for taking such steps as are reasonably open to safeguard the assets of the Company and to detect fraud and other irregularities.

## **CREDITOR PAYMENT POLICY AND PRACTICE**

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 1999, the Company had an average of 75 days purchases outstanding in trade creditors.

## **YEAR 2000 DISCLOSURE**

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 any of its operations to be affected by year 2000 date recognition issues.

## AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'M. J. P. O.' followed by a long horizontal flourish.

Date: 31st July 2000

Secretary

## **REPORT OF THE AUDITORS TO THE MEMBERS OF REXAM COMBIBLOC 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 8 and 9.

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

As described on page 2 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.

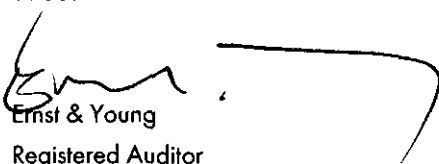
### **Basis of Opinion**

We conducted an audit in accordance with the 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 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 at 31st 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  
Newcastle upon Tyne

Date: 31/7/00

**REXAM COMBIBLOC LIMITED****PROFIT AND LOSS ACCOUNT - YEAR ENDED 31ST DECEMBER 1999**

	Note	1999 £'000	1998 £'000
TURNOVER	(2)	31399	29971
OPERATING COSTS	(4a)	26760	25931
OPERATING PROFIT		<u>4639</u>	<u>4040</u>
INTEREST	(5)	913	1177
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>5552</u>	<u>5217</u>
TAXATION	(6)	925	1631
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>4627</u>	<u>3586</u>
DIVIDENDS PROPOSED	(7)	2500	3000
PROFIT RETAINED FOR THE FINANCIAL YEAR		<u>2127</u>	<u>586</u>
		====	====

The movement on reserves is shown in Note 19 to the accounts.

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £4,627,000 in the year ended 31st December 1999 and of £3,586,000 in the year ended 31st December 1998.

**REXAM COMBIBLOC LIMITED**
**BALANCE SHEET - 31ST DECEMBER 1999**

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	(11)	15258	9313
		<u>15258</u>	<u>9313</u>
<b>CURRENT ASSETS</b>			
Stocks	(12)	5642	7691
Debtors	(13)	22864	23182
Cash at Bank and in hand	(14)	652	1552
		<u>29158</u>	<u>32425</u>
<b>CREDITORS</b>			
Amounts falling due within one year	(15)	10453	8911
		<u>10453</u>	<u>8911</u>
<b>NET CURRENT ASSETS</b>			
		<u>18705</u>	<u>23514</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>33963</u>	<u>32827</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	(16)	0	991
		<u>0</u>	<u>991</u>
		<u>33963</u>	<u>31836</u>
		<u>=====</u>	<u>=====</u>
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	(17)	1500	1500
Profit and Loss Account	(18)	32463	30336
		<u>32463</u>	<u>30336</u>
Shareholders Funds - Equity	(18)	<u>33963</u>	<u>31836</u>
		<u>=====</u>	<u>=====</u>

Approved by a Board Resolution dated 31st July 2000

N G Mernock



W W Schafers



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Directors

**REXAM COMBIBLOC LIMITED**
**CASH FLOW STATEMENT - YEAR ENDED 31ST DECEMBER 1999**

	Note	1999 £'000	1998 £'000
NET CASH FLOW FROM OPERATING ACTIVITIES	(4b)	10705	3272
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(2)	
Interest received		915	1177
		913	1177
TAXATION			
Corporation Tax Paid (Including ACT)		(1200)	(575)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(8390)	(2421)
Receipts from sales of tangible fixed assets		72	423
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(8318)	(1998)
EQUITY DIVIDENDS PAID		(3000)	(1858)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(900)	18
FINANCING		nil	nil
(DECREASE)/INCREASE IN CASH	(14)	(900)	18

**NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999**

**1. ACCOUNTING POLICIES**

Accounting Convention - the accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation - depreciation is calculated to write off the book value of tangible assets over their expected life by equal annual instalments, except that depreciation is not provided on the cost of freehold land or assets under construction.

Tangible assets are depreciated at the following rates:

Freehold buildings	2%
Plant, machinery and vehicles	7.5 to 33.3%

Investment Grants - investment grants and regional development grants are credited to the profit and loss account at average rates reflecting the expected life of relevant assets, depreciation having been provided on the cost of assets before deducting grants.

Stocks - stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials and goods for resale - purchases on an average cost basis.

Work in progress and finished goods - cost of direct materials, labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Foreign Currencies - assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end or which are appropriate to a transaction.

Differences arising from fluctuations in exchange rates are taken to profit and loss account where they relate to items of a trading nature.

Those arising on long term assets and liabilities are taken to reserves.

Deferred Taxation - deferred taxation is provided at appropriate rates on any significant timing differences between accounting and taxable profits, except where it can be demonstrated with reasonable probability that a tax liability is unlikely to crystallise in the foreseeable future.



**NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd)**

**1. ACCOUNTING POLICIES (cont'd)**

Development expenditure is charged in the year it is incurred.

Deferred Operating Expenditure - the net costs of filling machine placements are charged against profit over a three year period. Any such net costs not yet charged are held in the balance sheet as "Deferred Operating Expenditure".

Pensions - the expected cost of providing pensions in respect of defined benefit schemes is charged to the profit and loss account over the estimated service lives of the employees in the schemes

**2. TURNOVER**

Turnover is defined as the net amount receivable (excluding VAT) for goods supplied and services provided and includes sales to group undertakings within the UK and Eire. Turnover is attributable to one continuing activity, the manufacture and sale of liquid packaging cartons and the sale of associated machinery for the forming and filling cartons.

An analysis of turnover by geographical market is not given as in the directors' opinion it would be seriously prejudicial to the business.

**3. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is Rexam PLC, a company incorporated in England.

<b>4.a OPERATING COSTS</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	17801	17072
Employee costs (Note 8)	5166	5228
Depreciation - owned assets	2382	1935
Other operating charges	2088	1895
Increase in stocks of finished goods	(513)	(143)
Other operating income	(164)	(56)
	<hr/>	<hr/>
	26760	25931
	=====	=====
Other operating charges include:		
Auditors remuneration	22	20
Other fees paid to Auditors	nil	nil
	=====	=====

**NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd.)**

**4.b RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	1999 £'000	1998 £'000
Operating Profit	4639	4040
Depreciation	2382	1935
Profit on sale of Tangible Fixed Assets	(9)	(96)
Decrease/(Increase) in Stocks	2049	(2344)
Decrease in Debtors	318	1710
Increase/(Decrease) in Creditors	1326	(1973)
	<hr/>	<hr/>
	10705	3272
	=====	=====

**5. INTEREST**

	1999 £'000	1998 £'000
Payable		
Other short term borrowings -		0
Third Party	(2)	0
Receivable		
Third Party - Other	46	48
Group Companies	869	1129
	<hr/>	<hr/>
	913	1177
	=====	=====

**6. TAXATION**

	1999 £'000	1998 £'000
Based on the profit for the year:		
UK Corporation tax at 30.25 per cent (1998:31.0 per cent)	1949	1270
Deferred tax (note 16)	(991)	376
Adjustment to prior years	(33)	(15)
	<hr/>	<hr/>
	925	1631
	=====	=====

**7. DIVIDENDS**

	1999 £'000	1998 £'000
Dividend proposed	2500	3000
	=====	=====

**NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd.)**

<b>8. EMPLOYEES</b>		1999	1998
		£'000	£'000
a)	Employee Costs		
	Wages and salaries	4579	4681
	Social Security costs	448	361
	Other pension costs	139	186
		<hr/>	<hr/>
		5166	5228
		=====	=====
b)	Number of Employees		
	Weekly average number of employees:		
	Operatives	103	102
	Staff	110	111
		<hr/>	<hr/>
		213	213
		=====	=====
<b>9. EMOLUMENTS OF DIRECTORS</b>		1999	1998
		£'000	£'000
	Emoluments	55	111
		=====	=====
	Company Contributions to defined pension schemes	12	15
		=====	=====
	Members of pension schemes	1	1
		=====	=====

**10. PENSION COSTS**

The majority of employees belong to the Rexam Employee Benefit Plans (formerly the Bowater Employees Benefit Plan), a pension scheme of the defined benefit type. The charge in these accounts represents contributions paid to the scheme.

The charge does not take full account of the surplus disclosed in the scheme by the last actuarial valuation which was carried out as at 6th April 1994 and details of which are disclosed in the consolidated accounts of Rexam PLC. The prepayment arising in respect of the group as a whole under the scheme is also disclosed in those accounts.

**REXAM COMBIBLOC LIMITED**

**NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd.)**

**11. TANGIBLE ASSETS**

	Freehold Land & Buildings	Plant Machinery & Vehicles	Total
	£'000	£'000	£'000
Cost			
1st January 1999	1776	16900	18676
Additions	-	8390	8390
Disposals	-	(216)	(216)
31st December 1999	1776	25074	26850
	=====	=====	=====
Depreciation			
1st January 1999	359	9004	9363
Charge for year	29	2353	2382
Disposals	-	(153)	(153)
31st December 1999	388	11204	11592
	=====	=====	=====
Net book amounts:			
31st December 1999	1388	13870	15258
	=====	=====	=====
31st December 1998	1417	7896	9313
	=====	=====	=====

Included in freehold land and buildings is land which cost £309,000 which is not depreciated

**12. STOCKS**

	1999 £'000	1998 £'000
Raw materials	1753	2152
Work in progress	143	163
Finished products	1139	626
Wholesaling and merchanting goods	2607	4750
	=====	=====
	5642	7691
	=====	=====

In the opinion of the Directors the replacement value of the above stocks is not materially different from the valuation shown above.

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd.)

13. DEBTORS	1999 £'000	1998 £'000
Amounts due from fellow subsidiary undertakings	15767	18303
Trade debtors	6314	4107
Deferred Operating Expenditure	373	631
Other debtors	410	141
	<hr/>	<hr/>
	22864	23182
	=====	=====

Amounts falling due after more than one year included in deferred operating expenditure and other debtors.	192	418
	=====	=====

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS	1999 £'000	1998 £'000
(Decrease)/Increase in cash	(900)	18
	<hr/>	<hr/>
MOVEMENT IN NET FUNDS	(900)	18
NET FUNDS AT 1 JANUARY 1999	1552	1534
	<hr/>	<hr/>
NET FUNDS AT 31 DECEMBER 1999	652	1552
	=====	=====

15. CREDITORS	1999 £'000	1998 £'000
Amounts falling due within one year:		
Amount due to fellow subsidiary undertakings	0	29
Trade creditors	4025	2878
Corporation Tax	2341	1625
Indirect taxation and Social Security	131	118
Other creditors	1456	1261
Dividends	2500	3000
	<hr/>	<hr/>
	10453	8911
	=====	=====

**REXAM COMBIBLOC LIMITED****NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd.)****16. PROVISIONS FOR LIABILITIES AND CHARGES**

The movements in deferred taxation during the current and previous years are as follows:

	1999 £'000	1998 £'000
At 1st January	991	218
(Release)/Charge for the year (note 6)	(991)	376
Transfers from Corporation Tax	0	397
	<hr/>	<hr/>
At 31st December	0	991
	=====	=====

	1999 £'000	1998 £'000
The full potential deferred tax account, calculated at 30% included above consists of:		
Capital allowances in excess of depreciation	0	1035
Short term timing differences	0	(44)
	<hr/>	<hr/>
	0	991
	=====	=====

**17. SHARE CAPITAL**

	1999 £'000	1998 £'000
Ordinary shares of £1 each		
Authorised, allotted, called up and fully paid	1500	1500
	=====	=====

**NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER 1999 (cont'd.)**

**18. RECONCILIATION OF SHAREHOLDERS' FUNDS & MOVEMENT ON RESERVES**

	Share Capital	Profit & Loss	Total Shareholders' Funds
	£'000	£'000	£'000
At 1st January 1998	1500	29750	31250
Profit for the year	-	3586	3586
Dividend	-	(3000)	(3000)
	<hr/>	<hr/>	<hr/>
At 1st January 1999	1500	30336	31836
Profit for the year	-	4627	4627
Dividend	-	(2500)	(2500)
	<hr/>	<hr/>	<hr/>
At 31st December 1999	1500	32463	33963
	=====	=====	=====

**19. CAPITAL EXPENDITURE COMMITMENTS**

	1999 £'000	1998 £'000
Contracted but not provided for	nil	nil
	<hr/>	<hr/>
Authorised but not contracted	nil	978
	=====	=====

**20. CONTINGENT LIABILITIES**

As a member of the Rexam United Kingdom Group for VAT purposes, the Company has joint and several liability for all amounts due to Customs and Excise under this arrangement.

**21. RELATED PARTIES**

In the directors' opinion the ultimate parent company and controlling party is Rexam PLC which is incorporated in England. Copies of its group accounts, which include the Company, are available from 4 Millbank, London SW1P 3XR.

During the year the Company continued to loan funds to a subsidiary undertaking of Rexam PLC, Rexam Finance Company Limited, which owed the company £15.8 million at 31 December 1999. Interest of £0.9 million was received on this loan from Rexam Finance Company Limited during the year.

The Company also made purchases totalling £8.5 million from, and sales of £4.8 million to SIG Combibloc, a minority shareholder, and its subsidiaries. The Company owed SIG Combibloc £2.7 million at 31 December 1999.