

National Packaging Group PLC

Directors' report and financial statements

For the year ended 31 December 1995

Registered number 1630389



National Packaging Group PLC

Directors' report and financial statements

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National Packaging Group PLC

Directors' report

The directors submit their report and the financial statements of the company for the year ended 31 December 1995.

Principal activities and business review

The principal activity of the company is the distribution and sale of a wide range of packaging products to industrial and commercial users.

During 1995, the company continued the geographical expansion of its branch network, expanding the number of branches from twenty six to thirty five. The head quarters were relocated to Coventry.

On 18 October 1995 the company acquired the issued share capital of Billberg (UK) Limited a distributor of packaging materials. The trade and liabilities of the company were transferred into National Packaging Group PLC with effect from that date.

These actions have provided a strong platform for the company to take advantage of the growing market for packaging materials in the UK.

Results

The results of the company and the transfer to reserves are set out in the profit and loss account on page 5.

Dividend

No dividend was declared during the year (1994: £1,000,000).

Tangible fixed assets

Information relating to changes in tangible fixed assets is given in note 9 to the financial statements.

Employees

The company does not discriminate on grounds of age, colour, disablement, marital status, race, religion or sex. Employees are given the opportunity to develop and progress according to ability.

The company recognises the need for regular consultation with employees to ensure effective two-way communication on matters of policy and performance.

Health, safety and the environment

The company maintains health, safety and environment policies and implements good working practices and procedures. These matters are monitored regularly and a report is submitted to the Board.

National Packaging Group PLC

Directors' report *(continued)*

Directors

The individuals who served as directors were:

| | |
|--|--|
| Coach House Management Services Limited (chairman) | (appointed 25 May 1995) |
| BG McInnes (chairman) | (resigned 25 May 1995) |
| DGC Hathaway | (appointed 22 January 1996) |
| RW Langford | (resigned 29 February 1996) |
| JA Perkins | (resigned 25 May 1995) |
| AJ Plimmer | |
| JP Stephenson | |
| NR Tugman | (appointed 22 January 1996) |
| J Vandore | (appointed 3 February 1995, resigned 1 July 1995) |

Directors' interests

No director had any interest in the shares of the company. Messers McInnes and Perkins are main board executive directors of Charles Baynes plc and details of their interests in its share capital are shown in that company's financial statements. The interests of the other directors in the shares of Charles Baynes plc at 31 December 1995 or later date of appointment were:

| | Ordinary shares of 10p shares | | Options in respect of 10p ordinary shares | |
|---|---|-------------------|---|-------------------|
| | 31 December 1995 (or later date of appointment) | 1 January 1995 | 31 December 1995 (or later date of appointment) | 1 January 1995 |
| Coach House Management Services Limited | - | - | - | - |
| RW Langford | - | 47,557 | 95,082 | 95,082 |
| AJ Plimmer | 1,941 | 1,841 | 146,921 | 134,921 |
| JP Stephenson | 100 | - | 161,000 | 153,500 |
| DGC Hathaway | 2,436 | - | 52,150 | - |
| NR Tugman | - | - | 12,115 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Options are granted to directors under the Charles Baynes plc Executive and Savings Related Share Option Schemes. No options were either exercised or lapsed during the year.

National Packaging Group PLC

Directors' report *(continued)*

Directors' and officers' liability insurance

The company has arranged liability insurance cover for its directors and officers.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 period. In preparing these 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 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 that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By Order of the Board



SR Chamberlain
Secretary

Siskin Parkway East
Middlemarch Business Park
Coventry
West Midlands
CV3 4PE

13 March 1996



2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of National Packaging Group PLC

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

As described on pages 2 and 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

13 March 1996

National Packaging Group PLC

Profit and loss account for the year ended 31 December 1995

| | <i>Note</i> | 1995 £'000 | 1994 £'000 |
|--|--------------|-----------------------------|-----------------------------|
| Turnover | <i>1</i> | | |
| Continuing operations | | 41,633 | 30,139 |
| Acquisitions | | 326 | - |
| | | <hr/> | <hr/> |
| | | 41,959 | 30,139 |
| Cost of sales | | (28,323) | (20,116) |
| | | <hr/> | <hr/> |
| Gross profit | | 13,636 | 10,023 |
| Other operating costs | <i>2</i> | (11,360) | (8,746) |
| Operating profit/(loss) | | | |
| Continuing operations | <i>2,281</i> | | - |
| Acquisitions | <i>(5)</i> | | - |
| | | <hr/> | <hr/> |
| | | 2,276 | 1,277 |
| Amounts written off investments | <i>10</i> | (362) | - |
| Interest payable and similar charges | <i>3</i> | (156) | (65) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | <i>4</i> | 1,758 | 1,212 |
| Taxation on profit on ordinary activities | <i>7</i> | (750) | (444) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 1,008 | 768 |
| Dividends | | - | (1,000) |
| | | <hr/> | <hr/> |
| Retained profit/(loss) for the year | <i>18</i> | 1,008 | (232) |
| | | <hr/> | <hr/> |

The company has no recognised gains or losses other than the losses above for either financial year and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either financial year.

National Packaging Group PLC

Balance sheet at 31 December 1995

| | Note | 1995 | | 1994 | |
|--|------|---------------|--------------|--------------|--------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible assets | 8 | | 1,311 | | 1,388 |
| Tangible assets | 9 | | 1,827 | | 1,317 |
| Investments | 10 | | 54 | | 54 |
| | | | <u>3,192</u> | | <u>2,759</u> |
| Current assets | | | | | |
| Stocks | 11 | 3,811 | | 2,564 | |
| Debtors | 12 | 9,750 | | 7,210 | |
| Cash | | 6 | | 5 | |
| | | <u>13,567</u> | | <u>9,779</u> | |
| Creditors: Amounts falling due within one year | 13 | (11,839) | | (8,930) | |
| Net current assets | | | <u>1,728</u> | | <u>849</u> |
| Total assets less current liabilities | | | <u>4,920</u> | | <u>3,608</u> |
| Creditors: Amounts falling due after more than one year | 14 | | (1,051) | | (747) |
| Provisions for liabilities and charges | 15 | | (24) | | (24) |
| | | | <u>3,845</u> | | <u>2,837</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 1,361 | | 1,361 |
| Share premium | 17 | | 1,442 | | 1,442 |
| Profit and loss account | 18 | | 1,042 | | 34 |
| Shareholders' funds | 19 | | <u>3,845</u> | | <u>2,837</u> |

These financial statements were approved by the board of directors on 13 March 1996 and were signed on its behalf by:

AJ Plimmer
Director

KPMG



National Packaging Group PLC

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Accounting standards

These financial statements have been prepared in accordance with applicable accounting standards.

Group financial statements

In accordance with section 228(1) of the Companies Act 1985, the company is exempt from the obligation to prepare and deliver group financial statements. The results of the company and its subsidiary undertakings are incorporated within the consolidated financial statements of Charles Baynes plc a company registered in England and Wales.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arose in the United Kingdom.

Depreciation

Depreciation has been provided so as to write off the costs, less the estimated residual value, of tangible fixed assets in equal instalments over their estimated useful lives as follows:

| | | |
|--------------------------------|---|------------------------------|
| Short leasehold property | - | over the period of the lease |
| Plant, machinery and equipment | - | 5 to 10 years |
| Motor vehicles | - | 4 to 5 years |

Leases

Where the company enters into a lease which entails taking substantially all risks and rewards of ownership of an asset, the lease is treated as a finance lease and the asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease whichever is the shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduced the outstanding obligation for future instalments included in creditors.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account as incurred.

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Notes (continued)

1 Principal accounting policies (continued)

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Pensions

The Company participates in a Group money purchase pension scheme. Contributions made to the scheme are charged to the profit and loss account in the year in which they are payable.

Goodwill

Purchased goodwill is defined as the difference between the fair value of the consideration given and the aggregate of the fair values of the separable net assets acquired. The purchased goodwill is eliminated from the financial statements by amortisation through the profit and loss account in arriving at profit or loss on ordinary activities on a systematic basis over its useful economic life, being 20 years.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less, where applicable a provision for permanent diminution in value.

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Notes (continued)

2 Other operating costs

| | 1995 £'000 | 1994 £'000 |
|--------------------------------|---------------|---------------|
| Selling and distribution costs | | |
| Continuing operations | 2,241 | 1,691 |
| Acquisitions | 15 | - |
| Administrative expenses | | |
| Continuing operations | 9,034 | 7,055 |
| Acquisitions | 70 | - |
| | <u>11,360</u> | <u>8,746</u> |

3 Interest payable and similar charges

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| On bank loans, overdrafts and other loans wholly repayable within five years | <u>156</u> | <u>65</u> |

4 Profit on ordinary activities before taxation

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i> | | |
| Depreciation of tangible fixed assets | 594 | 546 |
| Amortisation of goodwill | 77 | 77 |
| Auditors' remuneration and expenses - audit fees | 16 | 18 |
| Rentals under operating leases: | | |
| Land and buildings | 1,163 | 978 |
| Plant, machinery and vehicles | <u>418</u> | <u>267</u> |

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Notes (continued)

5 Directors' remuneration

| | 1995 £'000 | 1994 £'000 |
|-------------------------------|---------------|---------------|
| Emoluments | | |
| Salaries and benefits | 217 | 180 |
| Bonuses | 65 | - |
| Pension contributions | 15 | 11 |
| | <u>297</u> | <u>191</u> |
| The emoluments above include: | | |
| Highest paid director | | |
| Salary and benefits | 78 | 70 |
| Bonus | 44 | - |
| | <u>122</u> | <u>70</u> |
| Pension contributions | 8 | 6 |
| | <u>130</u> | <u>76</u> |

Range of emoluments, excluding pension contributions, of all directors in the year:

| | Number of directors | |
|---------------------|---------------------|------|
| | 1995 | 1994 |
| £0 - £5,000 | 4 | 2 |
| £50,001 - £55,000 | - | 2 |
| £55,001 - £60,000 | 1 | - |
| £65,001 - £70,000 | - | 1 |
| £75,001 - £80,000 | 1 | - |
| £120,001 - £125,000 | 1 | - |

6 Staff numbers and costs

The average number of employees (including executive directors) during the year, was as follows:

| | Number of employees | |
|--------------------------|---------------------|------------|
| | 1995 | 1994 |
| Administration | 32 | 29 |
| Selling and distribution | 257 | 236 |
| | <u>289</u> | <u>265</u> |

National Packaging Group PLC

Notes (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these employees were as follows:

| | 1995 £'000 | 1994 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 5,198 | 4,007 |
| Social security costs | 475 | 374 |
| Other pension costs | 73 | 75 |
| | <u>5,746</u> | <u>4,456</u> |

7 Taxation on profit on ordinary activities

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| Taxation charge based on the profit for the year: | | |
| Corporation tax at 33% (1994: 33%) | 715 | 383 |
| Deferred taxation | 25 | 53 |
| | <u>740</u> | <u>436</u> |
| Adjustments relating to prior years: | | |
| Corporation tax | (9) | 33 |
| Deferred taxation | 19 | (25) |
| | <u>750</u> | <u>444</u> |

National Packaging Group PLC

Notes (continued)

8 Intangible assets

| | Goodwill £'000 |
|-----------------------|-------------------|
| <i>Cost</i> | |
| At beginning of year | 1,542 |
| | <hr/> |
| At end of year | 1,542 |
| | <hr/> |
| <i>Amortisation</i> | |
| At beginning of year | 154 |
| Charge for the year | 77 |
| | <hr/> |
| At end of year | 231 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 December 1995 | 1,311 |
| | <hr/> |
| At 31 December 1994 | 1,388 |
| | <hr/> |

National Packaging Group PLC

Notes (continued)

9 Tangible fixed assets

| | Short leasehold properties | Plant, machinery and vehicles | Total |
|-----------------------------------|----------------------------------|--|-------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At beginning of year | 143 | 2,161 | 2,304 |
| Additions | 47 | 1,183 | 1,230 |
| Disposals | - | (674) | (674) |
| Transfers from group undertakings | - | 51 | 51 |
| Transfers to group undertakings | - | (19) | (19) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 190 | 2,702 | 2,892 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At beginning of year | 54 | 933 | 987 |
| Charge for the year | 21 | 573 | 594 |
| Disposals | - | (537) | (537) |
| Transfers from group undertakings | - | 25 | 25 |
| Transfers to group undertakings | - | (4) | (4) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 75 | 990 | 1,065 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 1995 | 115 | 1,712 | 1,827 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 1994 | 89 | 1,228 | 1,317 |
| | <hr/> | <hr/> | <hr/> |

National Packaging Group PLC

Notes (continued)

10 Investments

| | Shares in subsidiary undertakings £'000 |
|------------------------------|--|
| Cost | |
| At beginning of year | 54 |
| Additions | 362 |
| | <hr/> |
| At end of year | 416 |
| | <hr/> |
| Provision | |
| At beginning of year | - |
| Created during the year | 362 |
| | <hr/> |
| At end of year | 362 |
| | <hr/> |
| Net book value | |
| At beginning and end of year | 54 |
| | <hr/> |

On 18 October 1995 the company acquired the entire ordinary share capital of Billberg (UK) Limited, a distributor of packaging materials registered in England and Wales, for cash consideration of £362,000. A provision of £362,000 has been created during the year being the difference between the value of the investment and the book value of the liabilities acquired.

The company's other wholly owned subsidiary undertaking, which did not trade during the year, was Heath Packaging Group Limited registered in England and Wales.

National Packaging Group PLC

Notes (continued)

11 Stocks

| | 1995 £'000 | 1994 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | <u>3,811</u> | <u>2,564</u> |

12 Debtors

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| Trade debtors | 8,920 | 6,594 |
| Amounts owed by fellow subsidiary undertakings | 127 | 47 |
| Other debtors | 179 | 102 |
| Prepayments and accrued income | <u>524</u> | <u>467</u> |
| | <u>9,750</u> | <u>7,210</u> |

13 Creditors: Amounts falling due within one year

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| Bank loans and overdrafts | 2,676 | 1,451 |
| Finance lease obligations | 27 | - |
| Trade creditors | 7,547 | 5,984 |
| Amounts owed to parent and fellow subsidiary undertakings | 21 | 568 |
| Corporation tax | 283 | 144 |
| Other taxes and social security | 734 | 541 |
| Other creditors | 101 | 52 |
| Accruals and deferred income | <u>450</u> | <u>190</u> |
| | <u>11,839</u> | <u>8,930</u> |

National Packaging Group PLC

Notes (continued)

14 Creditors: Amounts falling due after more than one year

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| Amounts owed to parent undertaking | 883 | 693 |
| Amounts owed to subsidiary undertakings | 54 | 54 |
| Finance lease obligations: | | |
| Due between one and two years | 25 | - |
| Due between two and five years | 89 | - |
| | <u>1,051</u> | <u>747</u> |

15 Provisions for liabilities and charges

| | Deferred taxation £'000 | Other provisions £'000 |
|-------------------------|-------------------------------|------------------------------|
| At beginning of year | (51) | 24 |
| Profit and loss account | 44 | - |
| | <u>(7)</u> | <u>24</u> |

The deferred taxation asset above, being the full potential recoverable asset, is set out below:

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| Depreciation in excess of accelerated capital allowances | 7 | 28 |
| Other short term differences | - | 23 |
| | <u>7</u> | <u>51</u> |

The deferred tax asset is included in other debtors.

National Packaging Group PLC

Notes (continued)

16 Called up share capital

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| <i>Authorised:</i> | | |
| 2,000,000 Ordinary shares of £1 | <u>2,000</u> | <u>2,000</u> |
| <i>Allotted, called up and fully paid:</i> | | |
| 1,361,400 ordinary shares of £1 | <u>1,361</u> | <u>1,361</u> |

17 Share premium

| | 1995 £'000 | 1994 £'000 |
|------------------------------|---------------|---------------|
| At beginning and end of year | <u>1,442</u> | <u>1,442</u> |

18 Profit and loss account

| | 1995 £'000 | 1994 £'000 |
|-------------------------------------|---------------|---------------|
| At beginning of year | 34 | 266 |
| Retained profit/(loss) for the year | <u>1,008</u> | <u>(232)</u> |
| At end of year | <u>1,042</u> | <u>34</u> |

19 Movement in shareholders' funds

| | 1995 £'000 | 1994 £'000 |
|--|---------------|---------------|
| Profit for the financial year | 1,008 | 768 |
| Dividends | - | (1,000) |
| | <u>1,008</u> | <u>(232)</u> |
| Shareholders' funds at beginning of year | 2,837 | 3,069 |
| Shareholders' funds at end of year | <u>3,845</u> | <u>2,837</u> |

National Packaging Group PLC

Notes (continued)

20 Commitments

| | 1995 £'000 | 1994 £'000 |
|---|---------------|---------------|
| Capital commitments: | | |
| Authorised and contracted | - | - |
| Authorised but not contracted | - | - |
| | <hr/> | <hr/> |
| | - | - |
| | <hr/> | <hr/> |
| Operating leases: | | |
| Commitments for amounts under non-cancellable operating leases are: | | |
| Leases relating to land and buildings expiring: | | |
| - within one year | 80 | 72 |
| - between two and five years | 590 | 392 |
| - after five years | 739 | 695 |
| | <hr/> | <hr/> |
| Leases relating to plant, machinery and vehicles expiring: | | |
| - within one year | 16 | 13 |
| - between two and five years | 267 | 270 |
| | <hr/> | <hr/> |

21 Pensions

The Company participates in a money purchase pension scheme which is operated by the Group. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension costs represent the contributions payable by the company to the scheme and amounted to £73,000 (1994: £75,000). All contributions payable were paid during the year.

22 Ultimate parent undertaking

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which this company is a member is Charles Baynes plc, a company incorporated in Great Britain and registered in England and Wales. This undertaking is also the ultimate parent company. Copies of the financial statements of this company may be obtained from 68 Baker Street, Weybridge, Surrey, KT13 8AL.

23 Country of incorporation

The company was incorporated in Great Britain and is registered in England and Wales.

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Notes *(continued)*

24 **Contingent liabilities**

The company has given a guarantee for £3,400,000 in favour of Midland Bank plc in respect of the borrowings of its ultimate parent undertaking, Charles Baynes plc.