

2456387

Rexam Speciality Food Packaging Limited

Financial Statements Year Ended 31 December 2001



Rexam Speciality Food Packaging Limited

2

Registration No. 2456387

DIRECTORS

B J Fox

S M G Jennings

F B N Labbé (appointed 25th January 2001)

SECRETARY

B J Fox

AUDITORS

Ernst & Young LLP

One Bridewell Street

Bristol

BS1 2AA

REGISTERED OFFICE

Third Floor

4 Millbank

London

SW1P 3XR

Directors' Report

The Directors present the accounts of the Company for the year ended 31 December 2001.

Principal Activities and Review Of The Business

The principal activity of the Company is the manufacture of plastic packaging used primarily in the food industry.

Results and Dividends

The loss after tax for the year amounted to £16,511,000 (2000 loss : £3,366,000). The Directors do not recommend a dividend (2000 total dividend: £nil), leaving a loss of £16,511,000 (2000: loss £3,366,000) to be transferred from reserves.

Research and Development

The company carries out research and development in support of its activities (see note 4 to the accounts).

Post Balance Sheet Events

On 31st March 2002 the Company sold the High Performance Flexibles business to Amcor Flexibles UK Limited for £7,048,000. The assets of these businesses have been impaired and this is included within operating profit to the extent required under FRS11 and disclosed in note 6.

Restructuring

In December 2001, the Company announced the closure of the Corby factory and the subsequent reorganisation of the businesses. The costs of the reorganisation including impairment of assets referred to above have been included within operating profit and are also disclosed in note 6.

Future Developments

No significant changes to current activities are anticipated.

Directors

The following persons held office during the year and thereafter :

B J Fox

S M G Jennings

F B N Labbé (appointed 25th January 2001)

Directors' Interests

The Directors of the Company who held office at the end of the year, other than Mr FBN Labbé who is a director of Rexam PLC and whose interests are disclosed in those accounts, were interested (as defined in the Companies Act 1985 and according to the register maintained thereunder) in shares in Rexam PLC as follows:

	Share Options * Executive 1984		Share Options * Executive 1997		Share Options * SAYE	
	1.1.01	31.12.01	1.1.01	31.12.01	1.1.01	31.12.01
B J Fox	29,388	29,388	103,084	119,173	10,714	10,714
S M G Jennings	12,500	12,500	152,868	136,355	4,243	3,116

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

Fixed Assets

The movements in fixed assets are shown in notes 11 and 12 to the accounts.

Creditor Payment Policy

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 Company had 76 days of purchases outstanding at 31 December based on the average daily amount invoiced by suppliers.

Employees

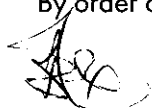
The Company recognises the mutual benefits of communication, consultation and employee involvement at all levels. Each business has developed a communication network appropriate to its needs and there is no fixed pattern or style. During the last 12 months we have continued the flow of information to our employees and efforts are being made to improve the consultative process.

Disabled persons are employed and trained whenever their aptitudes allow and suitable vacancies are available. Where an employee becomes disabled, an attempt is made to continue his or her employment and to arrange appropriate retraining or transfer if necessary.

Auditors

Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed under section 386 of the Companies Act 1985.

By order of the Board.



B J Fox
Secretary

Statement of Directors' Responsibilities in respect of the preparation of the Accounts

This statement, which should be read together with the Independent Auditors' Report set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to 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 at the end of the financial year, and of the profit or loss 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; and
- 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 that 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.

Independent Auditors' Report to the members of Rexam Speciality Food Packaging Limited

We have audited the company's financial statements for the year ended 31 December 2001, which comprise the Profit and Loss Account, Balance Sheet, Reconciliation of movements in shareholders' funds and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Companies Act 1985. 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Art & YLP

Registered Auditor
Bristol

Date *9/9/02*

Profit and Loss Account for the year ended 31 December 2001

	Notes	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Turnover					
– Continuing operations		69,259		65,535	
– Discontinued operations		41,909		40,423	
	(3)		111,168		105,958
Operating expenses	(4)		(108,495)		(107,194)
Restructuring and Impairment of Assets	(6)		(20,045)		-
Operating loss					
– Continuing operations		(4,770)		(805)	
– Discontinued operations		(12,602)		(431)	
			(17,372)		(1,236)
Net interest payable	(7)		(1,299)		(1,484)
Loss on ordinary activities before taxation			(18,671)		(2,720)
Taxation credit / (charge)	(8)		2,160		(646)
Loss for the financial year transferred from reserves	(21)		(16,511)		(3,366)

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £16,511,000 for the year ended 31 December 2001 (2000 : loss of £3,366,000).

Reconciliation of movements in shareholders' funds

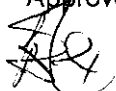
	Notes	2001 £'000	2000 £'000
Loss for the financial year	(21)	<u>(16,511)</u>	<u>(3,366)</u>
Shareholders' funds			
At 1 January		<u>19,226</u>	<u>22,592</u>
At 31 December		<u><u>2,715</u></u>	<u><u>19,226</u></u>

Balance Sheet at 31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed Assets			
Intangible assets	(11)	-	8,408
Tangible assets	(12)	31,550	44,591
		<u>31,550</u>	<u>52,999</u>
Current assets			
Stocks	(13)	8,713	8,906
Debtors	(14)	22,116	21,534
Cash at bank and in hand		1,146	1,513
		<u>31,975</u>	<u>31,953</u>
Creditors			
Amounts falling due within one year	(15)	(57,642)	(63,502)
		<u>(25,667)</u>	<u>(31,549)</u>
Net current liabilities			
Total assets less current liabilities		5,883	21,450
Creditors			
Provisions for liabilities and charges	(17)	(3,168)	(64)
Deferred tax	(18)	-	(2,160)
		<u>2,715</u>	<u>19,226</u>
Capital and reserves			
Equity			
Called up share capital	(19)	17,415	17,415
Share premium	(20)	1,217	1,217
Profit and loss account	(21)	(15,917)	594
Equity Shareholders' Funds		<u>2,715</u>	<u>19,226</u>

Approved by a Board Resolution dated

9th September 2002



B J Fox
Director

Notes to the Accounts**1. Accounting Policies****Basis of preparation**

The Accounts are prepared under the historical cost convention and in accordance with all applicable UK accounting standards.

Going Concern

The company is dependent upon continuing financial support being made available by its parent undertaking, Rexam PLC, to enable it to meet its liabilities as they fall due. The parent undertaking has agreed to provide sufficient funds to the company for these purposes. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

Cash flow Statement and Transactions with Related Parties

The company is a wholly-owned subsidiary undertaking of Rexam PLC and therefore has not prepared a cash flow statement and is exempt from making additional disclosures of related party transactions.

Turnover

Turnover represents the net amount receivable for goods supplied and services provided after deducting value added tax and includes sales to fellow subsidiary undertakings.

Intangible fixed assets - Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line bases over its useful economical life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less provision for depreciation. Depreciation is calculated to write off the book value of tangible assets over their expected lives by equal annual instalments, except that depreciation is not provided on freehold land or assets under construction. Tangible assets are depreciated at the following rates:

Freehold buildings	2%
Long leasehold property	2%
Short leasehold property	Life of lease
Plant, machinery and vehicles	5% to 50%

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost comprises the cost of raw materials and an appropriate proportion of labour and production overheads. Provision is made for obsolete and slow moving items. Net realisable value is the estimated proceeds from the sale of items of stock, less all further costs to completion, and less all costs to be incurred in marketing, selling, and distributing directly related to the items in question.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Differences arising from fluctuations in exchange rates are taken to the profit and loss account where they relate to items of a trading nature.

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.

Leases

Assets acquired under finance leases are capitalised and the capital element of outstanding lease rentals is included in creditors. Operating lease rentals are charged to the profit and loss account evenly over the primary period.

Pension and other retirement benefits

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.

Research and development

Expenditure is charged to the profit and loss account in the year in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Company's accounting policy.

2. Ultimate parent undertaking

The ultimate parent undertaking is Rexam PLC, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Rexam PLC. Copies of the Annual Report and Accounts of Rexam PLC can be obtained by writing to Rexam PLC, 4 Millbank, London, SW1P 3XR.

3. Turnover

	2001	2000
	£'000	£'000
By destination :		
United Kingdom and Ireland	86,562	83,491
Continental Europe	21,928	19,614
The Americas	1,564	1,756
Rest of the world	1,114	1,097
	<u>111,168</u>	<u>105,958</u>

All of the Company's turnover and loss before taxation arises from the manufacture and sale of packaging materials. All of the Company's operating assets are used for this purpose. All turnover and profit before taxation originates in the UK and all net assets are located in the UK.

4. Operating expenses

	Notes	Total 2001 £'000	Total 2000 £'000
Raw materials		45,045	43,535
Employee costs	(9)	31,168	30,502
Depreciation – owned assets		8,225	8,316
Depreciation – assets held under finance leases		127	196
Other operating expenses		24,815	23,884
Change in stocks of finished goods and work in progress		(365)	1,217
Disposal of business	(5)	(64)	-
Other operating income		(925)	(925)
Amortisation of goodwill	(11)	469	469
		<u>108,495</u>	<u>107,194</u>
Other operating expenses include :			
Research and development		362	535
Hire of plant and machinery		485	477
Other operating lease rentals		1,673	1,743
Auditors' remuneration		<u>98</u>	<u>91</u>

5. Disposal of business

This is an exceptional item relating to the release of a provision no longer required following the settlement of a dispute over consideration received from a prior year disposal.

6. Exceptional Items

Exceptional items included within operating loss :

	Notes	2001	2000
		£'000	£'000
Reorganisation costs	(17)	4,503	-
Intangible fixed assets impaired	(11)	7,939	-
Tangible fixed assets impaired	(12)	7,603	-
		<u>20,045</u>	<u>-</u>

The remaining net book value of the assets impaired at 31 December 2001 was £6,551,000. This was assessed in accordance with FRS11 "Impairment of fixed assets and goodwill" and is based upon net realisable value.

Of the total fixed asset impairment, £12,755,000 relates to the writing down of assets held by the High Performance Flexibles business, which was sold in March 2002.

7. Interest

	2001	2000
	£'000	£'000
Payable :		
Bank overdrafts	(5)	-
Long-term loan — fellow subsidiary undertaking	(1,348)	(1,561)
Receivable :		
Third party bank deposits	<u>54</u>	<u>77</u>
Net interest payable	<u>(1,299)</u>	<u>(1,484)</u>

8. Taxation Credit / (Charge)

	2001	2000
	£'000	£'000
Adjustment to prior years – Deferred tax	162	-
Deferred tax on trading operations	1,998	(646)
	<u>2,160</u>	<u>(646)</u>

There is no current tax credit / (charge) in the year (2000: £nil) and all taxable losses have been surrendered to other UK group companies for no payment.

9. Employees

a) Employee costs

	2001	2000
	£'000	£'000
Wages and salaries	28,206	27,052
Social security	2,525	2,540
Pensions and other retirement benefits	437	910
	<u>31,168</u>	<u>30,502</u>

b) Pensions

The company participates in a defined benefit pension scheme operated by its ultimate parent undertaking Rexam PLC on behalf of a number of its subsidiaries. The scheme is accounted for in the accounts of the company as if it were a defined contribution scheme because it is not possible to identify the company's share of the scheme's total underlying assets and liabilities of the scheme. There is currently a small surplus in the scheme, particulars of which are contained in the 2001 Annual Accounts of Rexam PLC.

	2001	2000
c) Average number of employees	<u>1,229</u>	<u>1,287</u>

10. Emoluments of directors

The emoluments of Mr FBN Labbé, who is a director of Rexam PLC, are disclosed in the accounts of Rexam PLC. The emoluments of the other directors are as follows :

	2001	2000
	£'000	£'000
Emoluments	293	423
Company pension contributions	4	24
	<hr/>	<hr/>
Highest paid director – Emoluments	153	183
– Pensions	2	8
	<hr/>	<hr/>
	155	191
	<hr/>	<hr/>
	2001	2000
Number of Directors who were members of the defined benefit pension scheme at 31 December	2	2
	<hr/>	<hr/>

11. Intangible fixed assets

	Notes	Goodwill
		£'000
Cost :		
At 1 January and 31 December 2001		9,385
Amortisation :		
At 1 January 2001		977
Provided during the year		469
Impairment	(6)	7,939
		<hr/>
At 31 December 2001		9,385
		<hr/>
Net book value :		
At 31 December 2001		-
		<hr/>
At 1 January 2001		8,408
		<hr/>

12. Tangible fixed assets

	Land and buildings £'000	Plant, machinery and vehicles £'000	Assets under con- struction £'000	Total £'000
Cost :				
1 January 2001	9,025	92,819	55	101,899
Additions	11	756	2,541	3,308
Reclassifications	(660)	755	(95)	-
Disposals	-	(3,938)	-	(3,938)
31 December 2001	8,376	90,392	2,501	101,269
Depreciation :				
1 January 2001	1,330	55,978	-	57,308
Provided during the year	206	8,146	-	8,352
Impairment (Note 6)	766	6,837	-	7,603
Reclassification	(174)	174	-	-
Disposals	-	(3,544)	-	(3,544)
31 December 2001	2,128	67,591	-	69,719
Net book values :				
31 December 2001	6,248	22,801	2,501	31,550
1 January 2001	7,695	36,841	55	44,591
Net book amounts :			2001	2000
			£'000	£'000
Freeholds			6,169	7,599
Long leaseholds			-	8
Short leaseholds			79	88
			6,248	7,695

12. Tangible assets (continued)

	2001	2000
	£'000	£'000
Finance leases		
Plant and machinery cost at 31 December	5,802	5,878
Plant and machinery accumulated depreciation at 31 December	5,802	5,732
	<hr/>	<hr/>
Value of land not subject to depreciation :		
Cost as at 31 December	1,241	1,304
	<hr/>	<hr/>

13. Stocks

	2001	2000
	£'000	£'000
Raw materials	1,931	1,759
Work in progress	2,015	2,432
Finished goods	4,767	4,715
	<hr/>	<hr/>
	8,713	8,906
	<hr/>	<hr/>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

14. Debtors

	2001	2000
	£'000	£'000
Amounts falling due within one year :		
Trade debtors	18,991	19,477
Amounts due from fellow subsidiary undertakings	1,124	225
Amounts due from ultimate parent undertaking	-	10
Prepayments and accrued income	384	368
Other debtors	1,617	1,454
	<hr/>	<hr/>
	22,116	21,534
	<hr/>	<hr/>

15. Creditors

	2001	2000
	£'000	£'000
Amounts falling due within one year :		
Trade creditors	15,225	16,637
Amounts due to ultimate parent undertaking	25,907	25,211
Amounts due to fellow subsidiary undertakings	10,388	16,838
Other taxes and social security	1,472	1,188
Other creditors	4,650	3,628
	<u>57,642</u>	<u>63,502</u>

16. Commitments

	2001	2000
	£'000	£'000
Future capital expenditure at 31 December		
for which contracts have been placed	<u>870</u>	<u>2,495</u>

Operating lease rentals payable in 2002 relate to commitments expiring:

	Land and buildings		Other	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Within one year	266	67	192	54
Between one and five years	18	455	255	470
After five years	776	774	9	8
	<u>1,060</u>	<u>1,296</u>	<u>456</u>	<u>532</u>

17. Provisions for liabilities and charges

	Notes	2001	2000
		£'000	£'000
At 1 January		64	500
Provided		4,503	-
Utilised	(6)	(1,335)	(436)
Released		(64)	-
At 31 December		<u>3,168</u>	<u>64</u>

The provision relates to the closure of the Corby factory and the subsequent reorganisation of the business.

18. Deferred taxation

	2001	2000
	£'000	£'000
Provision for deferred taxation		
At 1 January	2,160	1,514
Profit and loss account	(2,160)	646
At 31 December	<u>-</u>	<u>2,160</u>
	2001	2000
	£'000	£'000
Capital allowances in excess of depreciation	-	2,240
Other short-term timing differences	-	(80)
	<u>-</u>	<u>2,160</u>

No deferred tax is provided in the year because the company has an overall deferred tax asset that is not being recognised, in accordance with SSAP 15.

19. Share Capital

	2001	2000
	£'000	£'000
Authorised :		
17,750,000 ordinary shares of £1 each	<u>17,750</u>	<u>17,750</u>
Allotted, called up and fully paid :		
17,415,000 ordinary shares of £1 each	<u>17,415</u>	<u>17,415</u>

20. Share Premium

	2001	2000
	£'000	£'000
At 1 January and 31 December	<u>1,217</u>	<u>1,217</u>

21. Profit and loss account

	2001	2000
	£'000	£'000
At 1 January	594	3,960
Profit and loss account	(16,511)	(3,366)
At 31 December	<u>(15,917)</u>	<u>594</u>

22. Contingent liabilities

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