



**RIDLEY QUINEY LIMITED
(FORMERLY RIDLEY QUINEY &
CO LIMITED)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

Company No. 1100207



RIDLEY QUINEY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

Company registration number: 1100207

Registered office: 22 Lamson Road
Off Ferry Lane
Rainham
Essex
RM13 9YY

Directors: Dr G P Carswell
P C Cotes
W D Evans
D J Harvey

Company secretary: P C Cotes

Bankers: Barclays Bank PLC

3i Plc
91 Waterloo Road
LONDON
SE1 8XP

Auditors: Grant Thornton
Registered auditors
Chartered accountants
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

RIDLEY QUINEY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

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RIDLEY QUINEY LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 1997.

Principal activity

The principal activity of the company remained unchanged and comprises the wholesale purchasing, processing and sale of paper and other packaging materials.

Business review

1997 proved to be a difficult year due to various external and internal problems.

The company's pre tax profits fell 4% against the background of a strong pound, falling polymer prices and an increasingly competitive market for our traditional paper and polymer based packaging products, which adversely impacted sales and profits. These difficult external influences on our business are expected to continue throughout 1998.

Internal out of stock and quality problems also impacted sales and profits. These operational problems resulted in some customer inconvenience and loss. Action, including senior management changes, has been taken to ensure that these difficulties do not recur and the quality and purchasing functions are being strengthened.

A key element of the Board's strategy remains the growth of the company's selected business areas through organic expansion. This includes the development of new products. Substantial progress has been made with a recently launched new product range and a further, complimentary range will be launched in early 1998.

Financial results of the company and dividends

There was a profit for the year after taxation of £898,000 (1996: £852,000). The directors recommend a final dividend of £800,000 (1996: £1,030,000).

Fixed assets

Details of changes in tangible fixed assets are shown in note 8.

Directors

The directors who held office during the year and their interest together with that of their families in the shares of the company are as follows:

	Ordinary shares of 50p	
	31 December 1997	31 December 1996
P C Cotes	-	-
W D Evans	-	-
D J Harvey	-	-

RIDLEY QUINEY LIMITED

REPORT OF THE DIRECTORS

Directors' (continued)

Dr G P Carswell was appointed to the board of directors on 6 April 1998.

The interests of the directors in the shares of the ultimate holding company, RQ (Holdings) Limited, are set out in the directors' report of that company.

There were no rights to subscribe for shares or debentures in the company during the year granted to or exercised by the directors.

Change of name

The company changed its name from Ridley, Quiney & Co Ltd to Ridley Quiney Ltd on 1 July 1997.

Directors' responsibilities for the financial statements

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 year. 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 presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



P C COTES
Secretary
19/8/1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
RIDLEY QUINEY LIMITED**

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 2 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 affairs of the company as at 31 December 1997 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
19/8/1998**

RIDLEY QUINEY LIMITED

PRINCIPAL ACCOUNTING POLICIES

The following policies which have been consistently applied are considered material in relation to the company's financial statements. The principal accounting policies of the company have remained unchanged from the previous year.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention except that freehold property is shown at its revalued amount, and in accordance with applicable UK Accounting Standards.

CONSOLIDATION

The company has taken advantage of the exemption available under section 228 of the Companies Act 1985 and has not prepared consolidated accounts on the grounds that the company is a wholly owned subsidiary of RQ (Holdings) Limited, which has prepared group accounts for the period to 31 December 1997 (note 21).

TURNOVER

Turnover represents the invoiced value of goods and services supplied during the year, excluding sales between group companies and Value Added Tax.

DEPRECIATION

Depreciation is provided on all tangible fixed assets save for land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life. The estimated useful lives are as follows:

Freehold buildings	50 years
Motor vehicles	4 years
Fixtures and fittings	10 years
Plant and equipment	10 years
Computer equipment	5 years

LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under finance leases and hire purchase contracts are recorded in the balance sheet as tangible fixed assets and are depreciated in accordance with the policy above. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Rental payments are apportioned between the finance element which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

STOCKS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises the purchase price of raw materials, plus the labour and appropriate overhead expenses incurred in bringing the stocks to their present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

DEFERRED TAXATION

Deferred taxation is provided on all material timing differences except that no provision is made on the potential liability arising from the revaluation of freehold land and buildings as there is no proposal to dispose of the property in the foreseeable future and hence crystallise the liability.

FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. All exchange differences are taken to the profit and loss account.

GOODWILL

Future goodwill arising on consolidation representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired will be capitalised and classified as an asset on the balance sheet and amortised through the profit and loss account over an expected useful life of 20 years in accordance with FRS 10 "Goodwill and Intangible Assets". Historically, goodwill has been charged to reserves.

COMPANY PENSION SCHEME

Until 31 March 1997 the company operated a defined benefit Pension Scheme. From 1 April a defined contribution scheme was introduced and no further contributions were made to the defined benefit scheme. The new scheme is a Group Personal Pension Scheme with Sun Life. Contributions for members transferring from the old scheme are individually assessed so as to give as nearly as possible the same potential benefits as before. For new joiners the company will contribute at 8% of salary.

RIDLEY QUINEY LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
Turnover	1	20,487	22,139
Cost of sales		<u>(17,268)</u>	<u>(18,598)</u>
Gross profit		3,219	3,541
Selling and administrative costs		<u>(1,866)</u>	<u>(2,124)</u>
Operating profit	2	1,353	1,417
Interest payable	5	<u>(72)</u>	<u>(81)</u>
Profit on ordinary activities before taxation		1,281	1,336
Taxation	6	<u>(383)</u>	<u>(484)</u>
Profit on ordinary activities after taxation		898	852
Dividends	7	<u>(800)</u>	<u>(1,030)</u>
Retained profit/(loss) for the year	16	<u>98</u>	<u>(178)</u>

All of the company's operations are classified as continuing.

All recognised gains and losses are included in the profit and loss account.

The accompanying accounting policies and notes form an integral part of these financial statements.

RIDLEY QUINEY LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Fixed assets					
Tangible assets	8		3,364		3,332
Investments	9		92		92
			<u>3,456</u>		<u>3,424</u>
Current assets					
Stocks	10	3,061		2,812	
Debtors	11	4,313		3,958	
Cash at bank and in hand		6		66	
		<u>7,380</u>		<u>6,836</u>	
Creditors: amounts falling due within one year	12	<u>(3,660)</u>		<u>(3,090)</u>	
Net current assets			<u>3,720</u>		<u>3,746</u>
Total assets less current liabilities			7,176		7,170
Creditors: amounts falling due after more than one year	13	(500)		(600)	
Provision for liabilities and charges	14	<u>(271)</u>	<u>(771)</u>	<u>(263)</u>	<u>(863)</u>
Net assets			<u>6,405</u>		<u>6,307</u>
Capital and reserves					
Called up share capital	15		80		80
Share premium account			80		80
Profit and loss account	16		4,988		4,880
Revaluation reserve	16		<u>1,257</u>		<u>1,267</u>
Equity shareholders' funds	17		<u>6,405</u>		<u>6,307</u>

The financial statements were signed on behalf of the Board of Directors on 19/8/1998

P C Cotes

W D Evans

)
) Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

RIDLEY QUINEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1997

1 TURNOVER

	1997 £'000	1996 £'000
A geographical analysis of turnover is as follows:		
United Kingdom	18,374	19,769
Other EC Countries	<u>2,113</u>	<u>2,370</u>
	<u>20,487</u>	<u>22,139</u>

All turnover arose as a result of the company's principal activity.

2 OPERATING PROFIT

	1997 £'000	1996 £'000
The results are stated after charging/(crediting):		
Depreciation of tangible assets		
- owned assets	104	119
- leased assets	6	6
Hire of plant and machinery	59	80
Auditors' remuneration		
- audit	12	10
- other services	6	2
(Profit)/loss on sale of tangible assets	(8)	50
Loss on investments	<u>-</u>	<u>50</u>

3 DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Remuneration in respect of directors (excluding pension fund contributions) was as follows:		
Management remuneration	<u>230,079</u>	<u>522,920</u>
The emoluments of the directors (excluding pension fund contributions) were as follows:		
Highest paid director	<u>77,291</u>	<u>255,612</u>

In addition to the details given above the company contributed £12,090 for each of the three directors into a money purchase pension scheme.

RIDLEY QUINEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1997

4 EMPLOYEES

The average number of employees during the year was:

	1997	1996
Administration, sales and management	41	40
Factory	11	10
Warehouse	13	13
	<u>65</u>	<u>63</u>

The cost of employing the above employees was:

	1997 £'000	1996 £'000
Wages and salaries	1,224	1,576
Social security costs	119	117
Other pension costs	135	150
	<u>1,478</u>	<u>1,843</u>

5 INTEREST PAYABLE

	1997 £'000	1996 £'000
On bank overdrafts and loans wholly repayable		
- within five years	13	14
- more than five years	59	67
	<u>72</u>	<u>81</u>

6 TAXATION

	1997 £'000	1996 £'000
Corporation tax based on the profit for the year at 29.3% (1996: 32.7%)	375	455
Deferred taxation - current year at 33% (1996: 33%)	8	7
Corporation tax - prior year	-	22
	<u>383</u>	<u>484</u>

RIDLEY QUINEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1997

7 DIVIDENDS

	1997 £'000	1996 £'000
A scrip dividend was paid during the course of the year ended 31 December 1996 on the basis of 3 ordinary 50p shares for every 5 ordinary 50p shares held	-	30
A final dividend for the year ended 31 December 1997 is proposed of £5.00 per share (1996: £6.25 per share)	<u>800</u>	<u>1,000</u>
	<u>800</u>	<u>1,030</u>

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost or valuation:						
1 January 1997	3,392	120	225	371	109	4,217
Additions	31	-	5	47	67	150
Disposals	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45)</u>
31 December 1997	<u>3,423</u>	<u>75</u>	<u>230</u>	<u>418</u>	<u>176</u>	<u>4,322</u>
Comprising:						
Valuation	3,000	-	-	-	-	3,000
Cost	<u>423</u>	<u>75</u>	<u>230</u>	<u>418</u>	<u>176</u>	<u>1,322</u>
Depreciation:						
1 January 1997	319	65	164	240	97	885
Charge for year	45	15	15	29	6	110
Disposals	<u>-</u>	<u>(37)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37)</u>
31 December 1997	<u>364</u>	<u>43</u>	<u>179</u>	<u>269</u>	<u>103</u>	<u>958</u>
Net book value						
31 December 1997	<u>3,059</u>	<u>32</u>	<u>51</u>	<u>149</u>	<u>73</u>	<u>3,364</u>
31 December 1996	<u>3,073</u>	<u>55</u>	<u>61</u>	<u>131</u>	<u>12</u>	<u>3,332</u>

RIDLEY QUINEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

TANGIBLE FIXED ASSETS (CONTINUED)

Included in the above are assets held under Finance Leases as follows:

	1997 £'000	1996 £'000
Motor vehicles	-	8
Plant and machinery	4	5

The freehold land and buildings stated above were valued by Messrs. Glenny, Chartered Surveyors at £3,000,000 on 31 December 1988.

The directors consider that the value to the business of the freehold property is not materially different from that at which it was valued.

9 INVESTMENTS

	Percentage of issued share capital held	1997 £'000	1996 £'000
Subsidiary Companies -	at cost		
R Q Paper Services Limited			
20,000 ordinary shares of £1 each	100%	15	15
D & D (Shipping & Forwarding) Limited			
2,000 ordinary shares of £1 each	100%	77	77
Ridley Quiney Converters Limited			
2 ordinary shares of £1 each	100%	-	-
		<u>92</u>	<u>92</u>
Other investment			
- at cost			
Northwood Paper Sales Limited			
50,000 non-cumulative, non-voting, non-redeemable preference shares of £1 each		-	50
Less provision for permanent diminution		-	(50)
		<u>92</u>	<u>92</u>

Each of the subsidiary companies is registered in England and Wales. These companies remained dormant during the year ended 31 December 1997.

RIDLEY QUINEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1997

10 STOCKS

	1997 £'000	1996 £'000
Raw materials and work in progress	262	282
Finished goods and goods for resale	<u>2,799</u>	<u>2,530</u>
	<u>3,061</u>	<u>2,812</u>

The basis of valuation is referred to in the statement of accounting policies.

11 DEBTORS

	1997 £'000	1996 £'000
Trade debtors	3,294	3,474
Amount owed by group undertakings	320	-
Other debtors and prepayments	<u>699</u>	<u>484</u>
	<u>4,313</u>	<u>3,958</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £'000	1996 £'000
Bank overdrafts	1,666	390
Current portion of loan (note 13)	100	104
Trade creditors	597	505
Amounts owed to group undertakings	149	363
Corporation tax	149	382
Other taxes and social security	161	289
Other creditors	38	57
Proposed dividend	<u>800</u>	<u>1,000</u>
	<u>3,660</u>	<u>3,090</u>

The bank overdraft is secured by way of a 2nd legal mortgage over the freehold land and buildings together with a floating charge over all other assets. The bank has a specific right of set off between accounts held in the company's name.

RIDLEY QUINEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1997

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £'000	1996 £'000
Loan	600	700
Finance leases	-	4
	<u>600</u>	<u>704</u>
Less:		
Amounts repayable within one year (note 12)	<u>(100)</u>	<u>(104)</u>
	<u>500</u>	<u>600</u>

The loan is secured by a mortgage over the company's freehold property and a fixed and floating charge over all other assets, repayable by half-yearly instalments of £50,000 each, from 31 March 1989. At 28 February 1994 the interest rate was fixed at 9% for the remaining period of the loan.

14 PROVISION FOR LIABILITIES AND CHARGES

	1997 £'000	1996 £'000
Deferred taxation		
1 January	263	256
Movement in provision	<u>8</u>	<u>7</u>
31 December	<u>271</u>	<u>263</u>

The deferred taxation provision consists of timing differences on capital allowances at a 33% (1996: 33%) tax rate.

15 SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised:		
176,000 ordinary shares of 50p each	<u>88</u>	<u>88</u>
Allotted, issued and fully paid:		
159,994 ordinary shares of 50p each	<u>80</u>	<u>80</u>

RIDLEY QUINEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 1997

16 RESERVES

	Profit and loss account £'000	Revaluation reserve £'000
1 January 1997	4,880	1,267
Transfer of difference between an historical cost depreciation charge and the actual depreciation charge for the year	10	(10)
Retained profit for the year	<u>98</u>	<u>-</u>
31 December 1997	<u>4,988</u>	<u>1,257</u>

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit for the financial year	898	852
Dividends	(800)	(1,030)
Issue of shares	<u>-</u>	<u>30</u>
Net addition to/(reduction in) shareholders' funds	98	(148)
Opening shareholders' funds	<u>6,307</u>	<u>6,455</u>
Closing shareholders' funds	<u>6,405</u>	<u>6,307</u>

18 FINANCIAL COMMITMENTS

Capital commitments as at 31 December 1997 amounted to £nil (31 December 1996: £42,000).

RIDLEY QUINEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

19 LEASING COMMITMENTS

Operating lease payments amounting to £67,000 (1996: £54,000) are due within one year. The leases to which these amounts relate expire as follows:

	1997 £'000	1996 £'000
In one year or less	7	13
Between one and five years	<u>60</u>	<u>41</u>
	<u>67</u>	<u>54</u>

20 CONTINGENT LIABILITY

The company has given a guarantee to the bankers of the holding company in respect of such monies due by its parent to the bank.

21 CONTROLLING RELATED PARTY

The ultimate parent undertaking of the company is RQ (Holdings) Limited, a company registered in England and Wales. The smallest and largest group of undertakings for which group accounts have been drawn up is that headed by RQ (Holdings) Limited.

By virtue of being a wholly owned subsidiary of RQ (Holdings) Limited, the company is exempt from preparing group accounts under section 228 Companies Act 1985.

The consolidated accounts of RQ (Holdings) Limited are available from Companies House on payment of the appropriate fee.

22 TRANSACTIONS WITH RELATED PARTIES

As a 100% subsidiary of RQ (Holdings) Limited the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group.