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UK CORRUGATED LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 1987

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR

UK CORRUGATED LIMITED

REPORT AND FINANCIAL STATEMENTS 1987

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6 - 14

UK CORRUGATED LIMITED

DIRECTORS' REPORT

Directors: J.A. Breeden
R.I. Buck
P.S. Butterick
D.G. Johnson
J. Trotman

Secretary: P.S. Butterick

The directors present their report for the year ended 31 December 1987.

1. RESULTS AND DIVIDENDS

The directors submit the audited financial statements for the year ended 31 December 1987.

The results for the year, as set out on page 4, reflect a profit after taxation of £50,423. No dividend is proposed by the directors.

2. PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company is the manufacture of corrugated fireboard containers.

The turnover showed a slight increase over last year and the operating profit reduced by £290,000 to £1,307,000. The directors are confident that results will improve during 1988.

As a result of a reduction in interest payable for the year, profit on ordinary activities improved to £50,000 compared with a loss of £842,000 in 1986.

3. FIXED ASSETS

The movements in fixed assets during the year are summarised in the notes to the financial statements.

In the opinion of the directors the current value of the land and buildings is not significantly different from the amount included in the financial statements.

4. DIRECTORS

The present membership of the board is listed above and all directors served throughout the year. Mr. J.D. Bence resigned on 4 December 1987.

None of the directors had a beneficial or non-beneficial interest in the shares of the company or in any other group company.

UK CORRUGATED LIMITED

DIRECTORS' REPORT

5. EMPLOYEE INVOLVEMENT

Union full time and lay representatives from the plants have attended group communications and consultation meetings. Following each of these group meetings, local plant meetings have been held to provide the opportunity for all employees to participate in the programme.

6. DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment by disabled persons.

Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions in the company's employment.

7. CHARITABLE DONATIONS

During the year the company made various charitable donations totalling £365.

8. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be put to the forthcoming Annual General Meeting.

By order of the Board


P.S. BUTTERICK

Secretary

24/30 King Street,
Watford,
Hertfordshire WD1 8BP

31st May 1988

15, Abchurch Lane
London EC4N 3DF
Telephone: 01-584 0017
Telex: 834777 ERI NRDL G
Fax: 01-584 0017

 **Touche Ross**

Chartered Accountants

UK CORRUGATED LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1987 and of the profit for the year then ended and comply with the Companies Act 1985.

The financial statements do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No 10.

Touche Ross & Co

Chartered Accountants
London

31st May 1988

Abchurch Lane, Birmingham, Blackpool, Bristol, Cardiff, Chesham, Crawley, Dorking,
Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes,
Newcastle upon Tyne, Newport, Swansea, and Wolverhampton

Branches in other countries at which a lot of partners' names is available
Holland: 11111111 New Street, London: EC4A 3TR

Approved by the Institute of Chartered Accountants in England and Wales
to act as the official auditors.

UK CORRUGATED LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 1987

	Note	1987 £	1986 £
Turnover	2	43,564,528 =====	42,482,736 =====
Operating profit	3	1,307,394	1,597,616
Interest receivable		593,000	578,000
Interest payable	5	(1,849,971)	(3,017,399)
Profit/(loss) on ordinary activities before taxation		50,423	(841,783)
Taxation on profit/(loss) on ordinary activities	6	—	—
Profit/(loss) on ordinary activities after taxation		50,423	(841,783)
Retained (loss)/profit brought forward		(270,219)	571,564
Retained loss carried forward		£ (219,796) =====	£ (270,219) =====

UK CORRUGATED LIMITED

BALANCE SHEET 31 December 1987

	Note	1987		1986	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		234,225		-
Tangible assets	8		7,068,807		6,637,128
Investments	9		<u>14,870,379</u>		<u>14,890,379</u>
			22,173,411		21,527,507
CURRENT ASSETS					
Stocks	10	2,312,310		2,516,137	
Debtors	11	41,134,167		39,837,642	
Cash at bank and in hand		<u>4,515</u>		<u>3,278</u>	
		43,450,992		42,357,057	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>10,707,585</u>		<u>10,280,484</u>	
NET CURRENT ASSETS			<u>32,743,407</u>		<u>32,076,573</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			54,916,818		53,604,080
CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR	13		<u>53,549,216</u>		<u>52,286,901</u>
NET ASSETS			<u>£ 1,367,602</u>		<u>£ 1,317,179</u>
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	15		250,000		250,000
Revaluation reserve			1,212,496		1,212,496
Other reserves			124,902		124,902
Profit and loss account			<u>(219,796)</u>		<u>(270,219)</u>
			£ 1,367,602		£ 1,317,179
			=====		=====

These financial statements were approved by the Board of Directors on
31st May 1988.

J. Toth }
Robert I. Buech } Directors

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

1. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements are prepared under the historical cost basis of accounting, modified to include the revaluation of certain freehold land and buildings.

(b) Fixed Assets

Tangible and intangible fixed assets are included at the net cost to the company after deducting investment, building and development area grants received or estimated to be receivable or at valuation in 1978 in the case of certain freehold land and buildings.

Assets transferred between companies in the group are recorded at the cost to the group company together with the cumulative depreciation provided thereon.

(c) Depreciation

Buildings and plant in course of construction and freehold land are not depreciated. The cost or valuation of all other tangible assets is written off over the expected useful life of the asset on a straight line basis.

Development costs are amortised over a maximum period of three years from the month in which the development of the machine is complete and is put into commercial production. Amortisation is accelerated if recovery of the development costs is not anticipated in whole or in part in future sales.

The principal annual rates are as follows:

Freehold buildings	2.5% per annum
Plant and machinery	7.5% per annum
Fixtures and fittings	10% per annum
Computer equipment	15% per annum
Motor vehicles	25% per annum

(d) Stocks

Raw materials, consumables and other stocks are valued at the lower of cost and net realisable value after conversion into the company's products. Work in progress and finished goods are valued at the lower of factory cost and net realisable value.

(e) Investments

Investments are stated at cost less provision for permanent diminution in value.

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

1. ACCOUNTING POLICIES (Continued)

(f) Deferred Taxation

Deferred taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the future.

(g) Leasing

Rentals payable under all leases are charged to income as incurred.

2. TURNOVER

The turnover and operating profit before taxation are attributable to the principal activity of the company. Turnover represents the invoiced value of goods supplied during the year, excluding sales of waste materials and value added tax, and has arisen wholly in the United Kingdom.

3. OPERATING PROFIT

	1987 £	1986 £
Turnover	43,564,528	42,482,736
Cost of sales	<u>37,434,766</u>	<u>36,389,972</u>
Gross profit -	6,129,762	6,092,764
Distribution costs	2,077,127	1,943,048
Administrative expenses	<u>2,745,241</u>	<u>2,552,100</u>
	<u>£1,307,394</u>	<u>£1,597,616</u>
	=====	=====

Operating profit is stated after charging the following:

Depreciation of tangible fixed assets	640,984	605,136
Lease of buildings	139,312	129,000
Hire of plant and machinery	579,274	623,594
Auditors' remuneration	17,900	16,300
Redundancy costs	220,799	258,676

4. EMPLOYEES AND DIRECTORS

	1987 £	1986 £
Staff costs:		
Salaries and wages	10,091,841	9,784,658
Social security costs	<u>720,530</u>	<u>698,668</u>
	<u>£10,812,371</u>	<u>£10,483,326</u>
	=====	=====

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

4. EMPLOYEES AND DIRECTORS (continued)

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

	1987 Number	1986 Number
Office and management	84	84
Production and sales	<u>732</u>	<u>782</u>
	816	866
	====	====

Excluding pension contributions, the emoluments of higher-paid employees were within the following scales:

	Number	Number
£30,001 - £35,000	2	-
£40,001 - £45,000	1	1

Staff costs include the following in respect of directors:

	£	£
Other emoluments	277,196	£269,833
Ex-gratia payment	<u>5,000</u>	<u>-</u>
	£282,196	£269,833
	=====	=====

Excluding pension contributions, the emoluments of the chairman and highest paid director were £80,404 (1986 chairman and highest paid director £66,678). The emoluments of the other directors were within the following scales:

	Number	Number
£30,001 - £35,000	2	2
£35,001 - £40,000	1	2
£40,001 - £45,000	2	1

5. INTEREST PAYABLE

	1987 £	1986 £
On bank overdraft and loans repayable within five years	1,849,971	720,408
To group companies	-	1,166,747
On other loans	<u>-</u>	<u>1,130,244</u>
	£1,849,971	£3,017,399
	=====	=====

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	1987	1986
United Kingdom corporation tax	£ - =====	£ - =====

The taxation charge does not bear a normal relationship to the results for either year due to timing differences and the utilisation of group relief for which no payment is made.

7. INTANGIBLE FIXED ASSETS

	Machinery development costs £
Cost	
At 1 January 1987	-
Additions	234,225
At 31 December 1987	£234,225 =====

The machinery is not yet in commercial production.

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation:				
At 1 January 1987	4,239,854	8,314,676	80,883	12,635,413
Additions	-	1,039,894	-	1,039,894
Disposals	-	(96,490)	(19,624)	(116,114)
Net group transfers	-	52,534	-	52,534
Reclassification	(11,040)	11,040	-	-
At 31 December 1987	4,228,814	9,321,654	61,259	13,611,727
Depreciation:				
At 1 January 1987	683,133	5,248,285	66,867	5,998,285
Charge for the year	85,421	550,321	5,242	640,984
Disposals	-	(89,657)	(19,625)	(109,282)
Net group transfers	-	12,933	-	12,933
At 31 December 1987	768,554	5,721,882	52,484	6,542,920
Net book value:				
At 31 December 1987	£3,460,260 =====	£3,599,772 =====	£8,775 =====	£7,068,807 =====
At 31 December 1986	£3,556,721 =====	£3,066,391 =====	£14,016 =====	£6,637,128 =====

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

8. TANGIBLE FIXED ASSETS (continued)

	Freehold land £	Freehold buildings £	Total £
Land and buildings represent:			
Valuation in 1978	400,000	650,000	1,050,000
Cost	<u>290,010</u>	<u>2,888,804</u>	<u>3,178,814</u>
	£690,010	£3,538,804	£4,228,814
	=====	=====	=====

Historical cost figures for land and buildings and the related depreciation are:

	1987 £	1986 £
Historical cost	3,380,845	3,391,885
Depreciation	<u>688,318</u>	<u>614,243</u>
Net book value	£2,712,527	£2,777,642
	=====	=====

9. INVESTMENTS

	Subsidiaries £	Related companies £	Total £
Balance at 1 January 1987	14,855,379	35,000	14,890,379
Additions in year - loan	-	5,000	5,000
Provision for diminution in value	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Balance at 31 December 1987	£14,855,379	£15,000	£14,870,379
	=====	=====	=====
Cost comprises:			
Shares	14,855,379	35,000	14,890,379
Loan	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	£14,855,379	£40,000	£14,895,379
	=====	=====	=====

The balance at 31 December 1987 includes the following companies:

Subsidiaries:

Operating and registered in England:

UK Corrugated (Southern) Limited
UK Corrugated (North West) Limited
UK Corrugated (Sheet Sales) Limited
UK Corrugated (Preprint) Limited
Pakfast Limited

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

9. INVESTMENTS (continued)

Subsidiaries (continued):

Operating and registered in Scotland:

UKC Lairds Limited
Scotpack Limited

Dormant and registered in England:

UK Corrugated (1983) Limited
UK Corrugated (1984) Limited
UK Corrugated (Properties) Limited
Smurfit Corrugated Holdings Limited

Consolidated accounts are not prepared as the company is the wholly-owned subsidiary of MacMillan Smurfit SCA Limited, registered in England, the ultimate holding company.

Related companies:

The company owns:

- 1) 100% of the issued 'B' ordinary shares of Bourne Packaging Limited, a company registered in England. This holding represents 33% of the total equity of the company.
- 2) 92% of the issued 'B' ordinary shares of Technical Packaging Services Limited, a company registered in England. This holding represents 37% of the total equity of the company.

10. STOCKS

	1987 £	1986 £
Raw materials and consumables	1,444,477	1,660,892
Work in progress	303,273	168,961
Finished goods	472,359	554,844
Other	<u>92,201</u>	<u>131,440</u>
	<u>£2,312,310</u>	<u>£2,516,137</u>

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

11. DEBTORS

	1987 £	1986 £
Due within one year:		
Trade debtors	8,860,237	7,367,372
Owed by group companies - subsidiaries	25,590	115,665
Other debtors	171,374	185,120
Prepayments	<u>331,507</u>	<u>339,495</u>
	9,388,708	8,007,652
Due in more than one year:		
Owed by group companies - subsidiaries	<u>31,745,459</u>	<u>31,829,990</u>
	<u>£41,134,167</u>	<u>£39,837,642</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1987 £	1986 £
Bank overdraft	438,902	1,386,079
Trade creditors	6,232,496	5,297,180
Owed to group companies - subsidiaries	715,305	1,262,224
Other taxes and social security costs	1,051,952	968,008
Other creditors	267,870	38,375
Accruals	1,138,060	1,328,618
Current instalment on bank loan	<u>863,000</u>	<u>-</u>
	<u>£10,707,585</u>	<u>£10,280,484</u>

13. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	1987 £	1986 £
Bank loan (unsecured)		
Within 1 to 2 years	1,726,000	863,000
Within 2 to 5 years	5,178,000	5,178,000
In 5 years or more by instalment		
Interest at 0.625% above LIBOR	<u>1,733,000</u>	<u>3,459,000</u>
	<u>8,637,000</u>	<u>9,500,000</u>
Loans from group companies		
Within 1 to 2 years - holding company	28,773,374	13,394,074
- subsidiary companies	16,138,842	16,719,517
In 2 years or more by instalment	-	4,673,310
In 5 years or more other than by instalment	<u>-</u>	<u>8,000,000</u>
	<u>44,912,216</u>	<u>42,786,901</u>
	<u>£53,549,216</u>	<u>£52,286,901</u>

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

14. DEFERRED TAXATION

No provision for deferred taxation is required at 31 December 1987. Potential tax liabilities, which are not expected to crystallise in the future, exist in respect of:

	1987 £	1986 £
Accelerated capital allowances	592,000	633,200
Short term timing differences	(8,400)	(3,500)
Other timing differences	<u>(1,049,400)</u>	<u>(1,056,700)</u>
	<u>£ (465,800)</u>	<u>£ (426,000)</u>

15. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:

	1987	1986
Ordinary shares of £1 each	£250,000	£250,000

16. CONTINGENT LIABILITIES

The company, together with the other group companies, has guaranteed bank overdrafts and loans of the group which at 31 December 1987 totalled £12,138,000 (1986 £13,591,000).

17. LEASE COMMITMENTS

At 31 December 1987 the company was committed to making the following payments in respect of finance leases.

	1987 £	1986 £
Within one year	395,393	430,735
Within 2 to 5 years	835,832	1,198,477
After 5 years	<u>13,568</u>	<u>13,568</u>
	<u>£1,244,793</u>	<u>£1,642,780</u>

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1987

17. LEASE COMMITMENTS (Continued)

At 31 December 1987 the group was also committed to making the following payments during the next year in respect of operating leases.

	Land and buildings		Other	
	1987	1986	1987	1986
	£	£	£	£
Leases which expire:				
Within one year	-	-	17,935	3,958
Within 2 to 5 years	33,500	33,500	181,478	175,937
After 5 years	<u>105,812</u>	<u>95,500</u>	<u>6,486</u>	<u>9,534</u>
	£139,312	£129,000	£205,899	£189,429
	=====	=====	=====	=====

18. CAPITAL COMMITMENTS

Contracted for but not provided in the financial statements of which £306,000 (1986 £Nil) will be leased

	1987	1986
	£306,000	£227,400
	=====	=====

Authorised but not yet contracted for of which £630,000 (1986 £Nil) is anticipated to be leased

	1987	1986
	£1,112,000	£600,000
	=====	=====