

675273

Smurfit Corrugated Limited

Report and Accounts

31 DECEMBER 1994

 **ERNST & YOUNG**



Smurfit Corrugated Limited

Company No: 675273

DIRECTORS

R I Buck
M J Clayton
J G George
J E Price
J A Robertson
D W Shulver

SECRETARY

R I Buck

AUDITORS

Ernst & Young
400 Capability Green
Luton
LU1 3LU

BANKERS

National Westminster Bank PLC
72/74 High Street
Watford
Herts
WD1 2BQ

SOLICITORS

Bower, Cotton & Bower
36 Whitefriars Street
London
EC4Y 8BH

REGISTERED OFFICE

Mercer House
Thames Side
Windsor
Berkshire
SL4 1QN

Smurfit Corrugated Limited

DIRECTORS' REPORT

The directors present their report and accounts for the 11 months ended 31 December 1994.

CHANGE OF NAME AND YEAR END

On 1 May 1994 the company changed its name to Smurfit Corrugated Limited. The year end was changed to 31 December, to coincide with that of the ultimate parent undertaking, the Jefferson Smurfit Group plc.

RESULTS AND DIVIDENDS

The results for the period, as set out on page 7, reflect a profit after taxation of £483,922 (1994: profit of £809,629) which is transferred to reserves. No dividend is proposed by the directors.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Competition within the industry and the effect of the recession has continued to affect turnover and margins. Despite these factors the directors consider the result for the period to be satisfactory and anticipate improvements next year.

FIXED ASSETS

The movements in fixed assets during the period are summarised in notes 9 and 10 to the accounts.

The Board has reviewed the values shown in the accounts for freehold land and buildings, which are all used in the mainstream business of the company, and has concluded that there is no permanent diminution in the carrying values.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were:

R I Buck	
M J Clayton	(appointed 31 December 1994)
J G George	
E H Marron	(resigned 13 May 1994)
J E Price	
J A Robertson	(appointed 5 April 1994)
D W Shulver	
A J Tucker	(resigned 31 December 1994)

No director had any interest in the shares of the company. Other than R I Buck none of the directors had any interest in the shares of any group company. The interest of R I Buck in the 25p ordinary shares of Jefferson Smurfit Group plc were 45,000 at the start of the period and 45,775 at the end of the period.

POST BALANCE SHEET EVENTS

On 4 January 1995, the company was involved in a group re-organisation. Full details are disclosed in note 22 to the accounts.

EMPLOYEE INVOLVEMENT

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

DIRECTORS' REPORT

DISABLED PERSONS

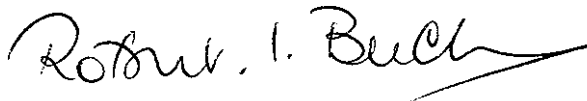
The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



R I Buck
Secretary

20 April 1995

Smurfit Corrugated Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 and of the profit or loss of the company 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.

REPORT OF THE AUDITORS
to the members of Smurfit Corrugated Limited

We have audited the accounts on pages 7 to 19, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

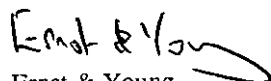
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the 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 the company's affairs as at 31 December 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Luton

20 April 1995

Smurfit Corrugated Limited

PROFIT AND LOSS ACCOUNT

for the 11 months ended 31 December 1994

		<i>11 months ended 31 December 1994</i>	<i>13 months ended 31 January 1994</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	81,328,366	86,725,359
Operating costs	3	(79,086,320)	(82,802,760)
OPERATING PROFIT		<u>2,242,046</u>	<u>3,922,599</u>
Amounts written off investments		-	(374,000)
Interest receivable	6	75,140	-
Interest payable and similar charges	7	(1,833,264)	(2,885,149)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>483,922</u>	<u>663,450</u>
Tax credit on profit on ordinary activities	8	-	146,179
PROFIT RETAINED FOR THE PERIOD		<u><u>483,922</u></u>	<u><u>809,629</u></u>

There are no recognised gains or losses other than the profit attributable to the members of the company.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<i>11 months ended 31 December 1994</i>	<i>13 months ended 31 January 1994</i>
	<i>£</i>	<i>£</i>
Reported profit on ordinary activities before taxation	483,922	663,450
Difference between historical cost depreciation charge and the actual charge calculated on the relevant amount	50,213	60,143
Historical cost profit on ordinary activities before taxation	<u>534,135</u>	<u>723,593</u>
Historical cost profit for the period retained after taxation	<u><u>534,135</u></u>	<u><u>869,772</u></u>

Smurfit Corrugated Limited

BALANCE SHEET

at 31 December 1994

	<i>Notes</i>	<i>31 December 1994 £</i>	<i>31 January 1994 £</i>
FIXED ASSETS			
Tangible assets	9	33,499,353	34,474,222
Investments	10	1,725,821	1,725,821
		<u>35,225,174</u>	<u>36,200,043</u>
CURRENT ASSETS			
Stocks	11	4,478,860	3,241,804
Debtors: due within one year	12	17,036,258	15,053,975
due in more than one year	12	34,397,078	31,884,565
Cash at bank and in hand		7,279	6,502
		<u>55,919,475</u>	<u>50,186,846</u>
CREDITORS: amounts falling due within one year	13	33,628,914	24,883,241
NET CURRENT ASSETS		<u>22,290,561</u>	<u>25,303,605</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>57,515,735</u>	<u>61,503,648</u>
CREDITORS: amounts falling due after more than one year	14	45,979,306	50,451,141
		<u>11,536,429</u>	<u>11,052,507</u>
CAPITAL AND RESERVES			
Called up share capital	16	250,000	250,000
Revaluation reserve	17	3,372,929	3,423,132
Profit and loss account	17	7,913,500	7,379,375
	18	<u>11,536,429</u>	<u>11,052,507</u>

Robert I. Buck

R I Buck

Director

20 April 1995

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold property and in accordance with applicable accounting standards.

Basis of preparation

In accordance with section 228 of the Companies Act 1985, the company is exempt from the obligation to prepare and deliver consolidated accounts since it is itself a subsidiary undertaking and its immediate parent undertaking Smurfit Corrugated (UK) Limited, a company incorporated in the United Kingdom, will be preparing group accounts for the period ended 31 December 1994, which will include the results of the company and its subsidiary undertakings.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life 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

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

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, consumables and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and 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.

Investments

Investments are stated at cost less amounts written off or provided.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

1. ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Leases and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Pension costs

Throughout the year the company had participated in the UK Corrugated Retirement Plan, which is defined benefit in nature and which requires contributions to be made to a separately administered fund. This fund was closed to new members during the year. New members have the option of joining the Smurfit UK Pension Fund. Details of this schemes can be found in the accounts of Jefferson Smurfit Group plc. Contributions to all schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Further details of the UK Corrugated Retirement Plan are disclosed in the accounts of Smurfit Corrugated (Hatfield) Limited.

2. TURNOVER

Turnover, which is stated net of value added tax and sales of waste materials and has arisen wholly in the United Kingdom, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the manufacture of corrugated fibreboard containers.

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

3. OPERATING COSTS

Operating costs comprise:

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
Change in stocks of finished goods and work-in-progress	330,362	529,656
Raw materials and consumables	42,574,845	43,612,708
Staff costs	18,751,968	18,305,446
Amortisation of intangible fixed assets	-	110,400
Depreciation		
- owned assets	1,836,904	2,278,297
- assets held under finance leases	981,785	1,198,711
Operating lease rentals		
- hire of plant and machinery	897,268	1,023,801
- land and buildings	739,095	779,404
Auditors' remuneration	-	-
Redundancy costs	61,414	26,241
Other operating charges	12,912,679	14,938,096
	<u>79,086,320</u>	<u>82,802,760</u>

4. STAFF COSTS

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
Salaries and wages	15,038,333	17,386,949
Social security costs	1,179,243	918,498
Pension costs	2,534,392	-
	<u>18,751,968</u>	<u>18,305,447</u>

The average weekly number of employees during the period was as follows:

	<i>Number</i>	<i>Number</i>
Office and management	138	127
Production and sales	631	614
	<u>769</u>	<u>741</u>

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

5. DIRECTORS' EMOLUMENTS

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
Other emoluments	509,845	687,674
Compensation for loss of office	17,000	-
	<u>526,845</u>	<u>687,674</u>
Remuneration of the highest paid director (excluding pension contributions)	<u>80,202</u>	<u>251,771</u>

Included in the above are emoluments of £139,218 paid by another group company (1994: Nil).

In addition, other emoluments of £nil (1994: £108,379) were paid by a fellow subsidiary undertaking.

Directors' emoluments excluding pension contribution, fell within the following ranges:

	<i>11 months ended 31 December 1994 No</i>	<i>13 months ended 31 January 1994 No</i>
£Nil	1	-
£15,001 - £20,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	2	1
£70,001 - £75,000	-	1
£75,001 - £80,000	2	-
£80,001 - £85,000	1	1
£90,001 - £95,000	-	1
£100,001 - £105,000	-	1
£105,000 - £110,000	-	1
£250,001 - £255,000	-	1
	<u> </u>	<u> </u>

6. INTEREST RECEIVABLE

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
Bank interest	<u>75,140</u>	<u>-</u>

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
On bank loans and overdraft	1,028,700	1,872,583
Finance charges payable under finance leases	790,831	1,005,441
Other interest	13,733	7,125
	<u>1,833,264</u>	<u>2,885,149</u>

8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
Based on the profit for the period:		
Adjustments relating to earlier periods:		
Group relief	-	146,179
	<u>-</u>	<u>146,179</u>

The adjustment in respect of prior years represents monies received for losses surrendered to group companies.

No tax charge arises in respect of either period as all taxable profits are fully relieved by the utilisation of tax losses brought forward or losses surrendered by group companies for nil consideration. At 31 December 1994 there were no tax losses to carry forward (31 January 1994: £3,100,000) to set against future profits of the same trade.

If full provision has been made for deferred taxation for the period, the tax charge would have been increased by £321,000 by (31 January 1994 - £475,000) as follows:

	<i>11 months ended 31 December 1994 £</i>	<i>13 months ended 31 January 1994 £</i>
Capital allowances in advance of depreciation	70,274	116,065
Other timing differences	(773,986)	(345,192)
Tax losses	1,025,145	704,550
	<u>321,433</u>	<u>475,423</u>

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £	<i>Plant and equipment</i> £	<i>Total</i> £
Cost or valuation:			
At 1 February 1994	7,522,334	43,670,336	51,192,670
Additions	144,225	2,544,340	2,688,565
Net group transfers	-	(114,518)	(114,518)
Disposals	-	(1,185,402)	(1,185,402)
At 31 December 1994	<u>7,666,559</u>	<u>44,914,756</u>	<u>52,581,315</u>
Accumulated depreciation:			
At 1 February 1994	492,994	16,225,454	16,718,448
Charge for the period	126,051	2,692,638	2,818,689
Net group transfers	-	(41,058)	(41,058)
Disposals	-	(414,117)	(414,117)
At 31 December 1994	<u>619,045</u>	<u>18,462,917</u>	<u>19,081,962</u>
Net book value:			
At 31 December 1994	<u>7,047,514</u>	<u>26,451,839</u>	<u>33,499,353</u>
At 31 January 1994	<u>7,029,340</u>	<u>27,444,882</u>	<u>34,474,222</u>
	<i>Freehold land</i> £	<i>Freehold buildings</i> £	<i>Total</i> £
Land and buildings comprise:			
Valuation in 1989	1,676,000	5,364,724	7,040,724
Subsequent additions at cost	-	625,835	625,835
	<u>1,676,000</u>	<u>5,990,559</u>	<u>7,666,559</u>
Historical cost	<u>695,870</u>	<u>4,338,981</u>	<u>5,034,851</u>

Based on historical cost the accumulated depreciation in respect of land and buildings would be £1,457,583 (31 January 1994 - £1,381,745), giving a historical net book value of £3,577,268 (31 January 1994 - £3,508,881).

Included in fixed assets is an amount of £322,000 in respect of capitalised interest.

The net book value of the company's fixed assets includes £10,586,479 (31 January 1994: £10,983,197) in respect of assets held under finance leases.

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

10. INVESTMENTS

£

Cost or valuation:

At 1 February 1994 and 31 December 1994

Shares	2,649,728
Loan	10,000
Provision for diminution in value	(933,907)
	<u>1,725,821</u>

The principal investments at 31 December 1994 are wholly owned subsidiary undertakings as follows:

Operating and registered in England and Wales:

Smurfit Corrugated (Southern) Limited

Smurfit Corrugated (Preprint) Limited

Smurfit Corrugated Packaging Group Limited

Tarleton Packaging Limited

Micropack (Northampton) Limited

Operating and registered in Scotland:

Smurfit Corrugated (Scotland) Limited

All subsidiary undertakings are involved in the manufacture of corrugated fibreboard containers.

In the opinion of the directors the aggregate value of the shares in and amounts owing from the subsidiary undertakings is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

11. STOCKS

	<i>31 December</i>	<i>31 January</i>
	<i>1994</i>	<i>1994</i>
	£	£
Raw materials and consumables	3,462,018	1,894,600
Work in progress	165,826	241,016
Finished goods	851,016	1,106,188
	<u>4,478,860</u>	<u>3,241,804</u>

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

12. DEBTORS

	<i>31 December</i>	<i>31 January</i>
	<i>1994</i>	<i>1994</i>
	£	£
Due within one year:		
Trade debtors	13,555,360	11,986,604
Owed by subsidiary undertakings	2,385,694	2,267,082
Owed by fellow subsidiary undertakings	—	493,568
Other debtors	265,293	227,673
Prepayments	829,911	79,048
	<u>17,036,258</u>	<u>15,053,975</u>
Due in more than one year:		
Owed by fellow subsidiary undertakings	34,397,078	31,884,565
	<u>51,433,336</u>	<u>46,938,540</u>

13. CREDITORS: amounts falling due within one year

	<i>31 December</i>	<i>31 January</i>
	<i>1994</i>	<i>1994</i>
	£	£
Current instalments on bank loans	9,399,677	6,892,666
Bank overdraft	3,267,821	604,810
Obligations under finance leases	1,372,583	1,514,759
Trade creditors	8,653,829	5,314,603
Owed to subsidiary undertakings	2,465,768	639,083
Owed to fellow subsidiary undertakings	—	5,489,311
Other taxes and social security costs	872,930	996,251
Other creditors	1,765,794	659,553
Accruals	5,830,512	2,772,205
	<u>33,628,914</u>	<u>24,883,241</u>

The bank loans attract interest at 0.75% over LIBOR and are secured by cross-guarantees as referred to in note 19.

14. CREDITORS: amounts falling due after more than one year

	<i>31 December</i>	<i>31 January</i>
	<i>1994</i>	<i>1994</i>
	£	£
Bank loans: - Between one and five years	—	4,399,668
Obligations under finance leases:		
- Between one and five years	7,355,776	6,872,734
- After five years	—	1,111,165
Loans from group undertakings:		
- Parent undertakings	34,378,224	35,673,468
- Subsidiary undertakings	4,245,306	2,394,106
	<u>45,979,306</u>	<u>50,451,141</u>

Smurfit Corrugated Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

18. RECONCILIATION OF MOVEMENTS ON SHAREHOLDER'S FUNDS

	<i>31 December</i> 1994 £	<i>31 January</i> 1994 £
Profit attributable to members	483,922	809,629
Opening shareholders' funds	11,052,507	10,242,878
Closing shareholders' funds	<u>11,536,429</u>	<u>11,052,507</u>

19. CONTINGENT LIABILITIES

The company and certain fellow subsidiary undertakings have entered into cross-guarantees with National Westminster Bank PLC in respect of the group's overdraft facilities.

20. LEASE COMMITMENTS

At 31 December 1994 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>31 December 1994</i>		<i>31 January 1994</i>	
	<i>Land and buildings</i> £	<i>Other</i> £	<i>Land and buildings</i> £	<i>Other</i> £
Leases which expire:				
Within one year	–	923,698	47,366	693,209
Within two to five years	240,000	548,755	240,000	389,747
After five years	471,267	20,347	437,212	10,368
	<u>711,267</u>	<u>1,528,800</u>	<u>724,578</u>	<u>1,093,324</u>

21. CAPITAL COMMITMENTS

	<i>31 December</i> 1994 £	<i>31 January</i> 1994 £
Contracted for but not provided in the financial statements	–	138,094
Authorised but not yet contracted for	–	–

NOTES TO THE ACCOUNTS

at 31 December 1994

22. POST BALANCE SHEET EVENT

On 4 January 1995, in order to facilitate a group re-organisation, the company sold its investments in its subsidiary undertakings to Smurfit Corrugated Holdings for a cash consideration of £11,235,821, being the recorded book value of such investments in the company's records.

On 4 January 1995 as part of a group re-organisation the ownership of the company was transferred to another group company. Immediately after the change in the ownership the business, the assets and liabilities of the company were transferred at book values to Smurfit Corrugated UK Limited which is now the immediate parent undertaking of the company. From this date the company's activities ceased and it is not envisaged that it will operate again in the foreseeable future.

23. ULTIMATE PARENT UNDERTAKING

In the opinion of the directors the ultimate parent undertaking is Jefferson Smurfit Group plc, a company incorporated in Ireland. Smurfit Corrugated (UK) Limited is the parent company of the smallest group of companies for which group accounts are prepared and of which this company is a member. Jefferson Smurfit Group plc is the parent undertaking of the largest group of companies for which group accounts are prepared and of which the company is a member. Copies of the accounts of this company may be obtained from Jefferson Smurfit Group plc, Beech Hill, Clonskeagh, Dublin 4, Ireland.