

# Rexam Book Printing Limited

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Registered No. 67822

## **DIRECTORS**

R M Shakesheff (Chairman)

M T Roguski (resigned 31 August 1999)

Berkeley Nominees Limited (appointed 31 August 1999)

## **SECRETARY**

A D Gray

## **AUDITORS**

Ernst & Young

London

## **REGISTERED OFFICE**

9th Floor West

114 Knightsbridge

London SW1X 7NN



**DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31 December 1998.

**RESULTS AND DIVIDENDS**

The loss for the year, after taxation amounted to £6,724,000 (1997: £3,522,000). The directors do not recommend a final dividend leaving the loss of £6,724,000 (1997: £3,522,000) to be transferred to reserves.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity during the year was the manufacture and sale of paper back books.

**EVENTS SINCE THE BALANCE SHEET DATE**

On 6 August 1999 the company disposed of the trade and assets of Cox & Wyman for a cash consideration of £0.9m. An exceptional charge of £4.6m has been taken in these accounts to reflect the impairment in the valuation of tangible fixed assets.

**DIRECTORS AND THEIR INTERESTS**

The directors at 31 December 1998 and their interests in the share capital of Rexam PLC were as follows:

	M T Roguski	
	1.1.98	31.12.98
Ordinary Shares	2,973	-
Share Options **: Executive 1997	13,930	13,930
Savings Related	3,651	6,055

On 31 August 1999, M T Roguski resigned as a director of the company and Berkeley Nominees Limited was appointed in his place.

Interests are in respect of Ordinary Shares at 64.286 pence each as at 31.12.98 and Ordinary Shares of 50 pence each as at 1.1.98.

\*\* Full details can be found in the Accounts of Rexam PLC.

The interests of R M Shakesheff have been disclosed in the Report and Accounts of Rexam PLC.

**FIXED ASSETS**

The movements of fixed assets are shown in notes 8 and 9 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 the payment and make payment to suppliers in accordance with those terms, provided that suppliers have complied with all relevant terms and conditions.

At 31 December 1998, the company had an average of 76 days (1997: 62 days) purchases outstanding in trade creditors.

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**DIRECTORS' REPORT****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 of 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.*

The company gives full consideration to applicants 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 to disabled employees wherever appropriate.

**YEAR 2000 COMPLIANCE**

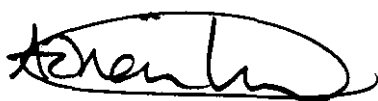
Rexam Book Printing Limited, as part of the Rexam Group, has implemented a programme for addressing the problems associated with the Year 2000 date issue. The programme has been co-ordinated to identify the risks and address compliance within business, production and facility systems. It also involves review of customer and supplier systems where failures could impact the company. Regular reporting of the status of the company's plans is made via Sector management to the Board of Rexam PLC and this will continue throughout the coming year. While we are confident that our systems will be compliant we cannot be certain that those we trade with will achieve compliance. We are therefore continuing to discuss these issues with our key suppliers and customers so as to reduce the possible disruption to our business.

A large proportion of the compliance effort has been in the normal replacement of existing business systems. The majority of these costs have therefore been capitalised in accordance with our normal accounting policies. Specific costs for rectifying systems solely to address the Year 2000 issue are not material and are expected to be the same for the current financial year.

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office as Auditors.

By order of the Board.



A. D. Gray  
Secretary

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

This statement, which should be read together with the Report of the Auditors set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the financial year.

The directors consider that it is appropriate to use the going concern basis in preparing the accounts on pages 5 to 14, that appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates and all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985.

The directors 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.

**REPORT OF THE AUDITORS**

to the members of Rexam Book Printing Limited

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and long leaseholds and on the basis of the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 3, 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 the information in the accounts.

**Opinion**

In our opinion, the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

8 October 1999.

# PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
<b>TURNOVER</b>			
Continuing operations		11,626	15,140
Discontinued operations		-	7,391
	2	11,626	22,531
 Operating Expenses			
Continuing operations		(13,759)	(16,908)
Discontinued operations		-	(7,556)
	3	(13,759)	(24,464)
 <b>OPERATING LOSS</b>			
Continuing operations		(2,133)	(1,768)
Discontinued operations		-	(165)
		(2,133)	(1,933)
 Continuing operations:			
Impairment provision relating to the disposal of Cox & Wyman	8	(4,600)	-
 Discontinued operations:			
Loss on disposal of businesses		-	(211)
 Interest receivable	6	1	41
 Interest payable and similar charges	6	(220)	(319)
 <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(6,952)	(2,422)
 Taxation	7	228	(1,100)
 <b>LOSS RETAINED FOR THE FINANCIAL YEAR</b>		<u>(6,724)</u>	<u>(3,522)</u>

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 1998

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £6,724,000 in the year ended 31 December 1998 (1997: £3,522,000).

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
for the year ended 31 December 1998

Historical cost losses are the same as the reported losses for the years ended 31 December 1998 and 31 December 1997.

## BALANCE SHEET

at 31 December 1998

	Notes	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	1,091	5,784
Investments	9	1,653	1,653
		<u>2,744</u>	<u>7,437</u>
<b>CURRENT ASSETS</b>			
Stocks	10	525	605
Debtors	11	4,435	3,978
Cash at bank and in hand		208	(106)
		<u>5,168</u>	<u>4,477</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	(16,429)	(13,457)
<b>NET CURRENT LIABILITIES</b>			
		<u>(11,261)</u>	<u>(8,980)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		(8,517)	(1,543)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	13	(899)	(1,149)
		<u>(9,416)</u>	<u>(2,692)</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	14	6,085	6,085
Profit and loss account		(15,501)	(8,777)
Shareholders' equity funds	15	<u>(9,416)</u>	<u>(2,692)</u>

Director



Approved by a board resolution dated

13 September, 1999



**NOTES TO THE ACCOUNTS**

at 31 December 1998

**1. ACCOUNTING POLICIES*****Accounting Convention***

The accounts are prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings and long leaseholds, and in accordance with applicable accounting standards.

***Going Concern***

The directors have received satisfactory assurances from the parent undertaking, valid to 31 December 1999, to the effect that it will not demand repayment of intercompany indebtedness until such time as the company is able to meet any such demand out of its own resources and that it will provide or procure adequate facilities for the company to meet all liabilities which cannot be met out of the company's existing resources.

***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 disclosure of related party transactions.

***Fixed Assets***

All fixed assets are recorded at cost.

***Depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost or valuation of each asset by equal annual instalments over its expected useful life, as follows:

Freehold buildings	-	2%
Long leasehold property	-	2%
Short leasehold property	-	over the lease term
Plant, machinery and vehicles	-	5% to 50%

***Investment Grants***

Investment grants and regional development grants are credited to the profit and loss account at rates reflecting the expected life of the relevant assets, depreciation having been provided on the cost of assets before deducting grants.

Other grants are credited to the profit and loss account to offset the matching expenditure.

***Stocks***

Stocks are stated at the lower of cost, including production overheads, and net realisable value.

## NOTES TO THE ACCOUNTS

at 31 December 1998

**1. ACCOUNTING POLICIES (continued)*****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.

***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.

***Leases***

Assets acquired under finance leases are capitalised and the capital element of outstanding lease rentals is included in creditors. Operating leases are charged to the profit and loss account on a straight line basis.

***Pensions***

The majority of employees belong to the Rexam Employee Benefit Plan or the Rexam Executive Benefit Plan, pension schemes of the defined-benefit type. The charge in these accounts represents contributions paid to the schemes.

**2. TURNOVER**

Turnover is defined as the net amount receivable (excluding value added tax) for goods supplied and services provided and includes sales to fellow subsidiary undertakings. It is attributable to one continuing activity, the manufacture and sale of books and other printed matter. All of the company's operating assets are used for this purpose and are located in the United Kingdom.

<i>Geographical Destination</i>	<i>1998 Continuing £000</i>	<i>Contin- uing £000</i>	<i>Discon- tinued £000</i>	<i>1997 Total £000</i>
United Kingdom	10,829	13,774	6,970	20,744
Continental Europe	797	1,366	421	1,787
	<u>11,626</u>	<u>15,140</u>	<u>7,391</u>	<u>22,531</u>

## NOTES TO THE ACCOUNTS

at 31 December 1998

**3. OPERATING EXPENSES**

	<i>1998 Continuing £000</i>	<i>Contin- uing £000</i>	<i>Discon- tinued £000</i>	<i>1997 Total £000</i>
Change in stocks of finished goods and work in progress	284	289	(605)	(316)
Other operating income	(243)	(76)	(53)	(129)
Raw materials	3,767	5,081	2,325	7,406
Employee costs (note 5)	5,952	6,682	4,387	11,069
Depreciation - owned assets	1,132	1,087	495	1,582
Depreciation - leased assets	-	-	2	2
Other operating charges	2,264	3,556	996	4,552
	13,156	16,619	7,547	24,166
Exceptional reorganisation costs	603	289	9	298
	<u>13,759</u>	<u>16,908</u>	<u>7,556</u>	<u>24,464</u>

Other operating charges includes:

	<i>1998 £000</i>	<i>1997 £000</i>
Operating lease rentals - plant and machinery	-	17
Operating lease rentals - other	-	315
Auditors' remuneration - audit fees	22	40

**4. DIRECTORS' EMOLUMENTS**

No emoluments were paid to the directors by Rexam Book Printing Limited.

The Chairman's emoluments are paid by Rexam PLC and reported in their accounts.

**5. EMPLOYEES AND EMPLOYEE COSTS**

	<i>1998 £000</i>	<i>1997 £000</i>
<b>Employee costs</b>		
Wages and salaries	5,092	9,488
Social security costs	465	810
Pension and other costs	395	771
	<u>5,952</u>	<u>11,069</u>
	<i>Number</i>	<i>Number</i>
<b>Weekly average number</b>		
Manufacturing and production	159	398
Sales, general and other administration	25	26
	<u>184</u>	<u>424</u>

## NOTES TO THE ACCOUNTS

at 31 December 1998

**6. INTEREST**

	1998 £000	1997 £000
<b>Receivable</b>		
Third party	<u>1</u>	<u>41</u>
<b>Payable</b>		
Finance leases – fellow subsidiary	-	319
Other short term – fellow subsidiary	215	-
Other third party	<u>5</u>	<u>-</u>
	<u>220</u>	<u>319</u>

**7. TAXATION**

	1998 £000	1997 £000
UK corporation tax @ 31% (1997: 31.5%)	-	-
Deferred Taxation	<u>(228)</u>	<u>1,100</u>
	<u>(228)</u>	<u>1,100</u>

The taxable losses incurred during the year will be surrendered to fellow subsidiary undertakings for no consideration.

If full provision had been made for deferred taxation the profit and loss account taxation charge would have been decreased by £228,000 (1997: decreased by £1,250,000) as follows:

Capital allowances in excess of depreciation	(223)	(1,360)
Other short term timing differences	<u>(5)</u>	<u>110</u>
	<u>(228)</u>	<u>(1,250)</u>

**8. TANGIBLE ASSETS**

	<i>Plant, Machinery and Vehicles</i> £000
<b>Cost</b>	
1 January 1998	14,008
Additions	1,250
Transfer from fellow subsidiary undertakings	31
Disposals	<u>(1,390)</u>
31 December 1998	<u>13,899</u>
<b>Depreciation</b>	
1 January 1998	8,224
Provided during the year	1,132
Impairment in value (see below)	4,600
Transfer from fellow subsidiary undertakings	9
Disposals	<u>(1,157)</u>
31 December 1998	<u>12,808</u>
<b>Net Book Value</b>	
31 December 1997	<u>5,784</u>
31 December 1998	<u>1,091</u>

# NOTES TO THE ACCOUNTS

at 31 December 1998

## 8. TANGIBLE ASSETS (continued)

The fixed assets of Cox & Wyman were disposed to a third party on 6 August 1999 for £0.5m. The resulting loss on disposal of fixed assets was £4.6m.

	1998 £000	1997 £000
<b><i>Plant and machinery held under finance leases</i></b>		
Cost	-	793
Accumulated depreciation	-	(722)
	-	71

## 9. INVESTMENTS

Cost of shares in subsidiary undertakings at 1 January and 31 December 1998	3,348
Amounts provided at 1 January and 31 December 1998	(1,695)
Net book value of unlisted investments at 1 January and 31 December 1998	1,653

The subsidiary undertakings at 31 December 1998, which are all wholly owned, are:

Rexam WCL Limited	Rexam BC Limited
Rexam WCP Limited	Rexam RDI Limited
Cox & Wyman Limited	

All subsidiary undertakings are registered in England and Wales. Group accounts have not been prepared since the company is a subsidiary undertaking of a company established under the law of a member state of the European Union. Financial statements present information about the company as an individual undertaking and not about its group. Group accounts have been filed by the parent undertaking, Rexam PLC.

The directors are of the opinion that the aggregate value of the investments in subsidiary undertakings, which are stated at cost less amounts written off for permanent reductions in value, is not less than the balance sheet amount.

## 10. STOCKS

	1998 £000	1997 £000
Raw materials	393	467
Work in progress	132	138
	525	605

## 11. DEBTORS

	1998 £000	1997 £000
<b><i>Amounts falling due within one year</i></b>		
Trade debtors	3,465	2,568
Amounts due from fellow subsidiary undertakings	53	304
Taxation	274	274
Other debtors and prepayments	643	832
	4,435	3,978

## NOTES TO THE ACCOUNTS

at 31 December 1998

**12. CREDITORS**

	1998 £000	1997 £000
<b><i>Amounts falling due within one year</i></b>		
Trade creditors	1,381	1,476
Amount due to parent undertaking	8,819	9,202
Amounts due to fellow subsidiary undertakings	4,393	270
Amounts due to subsidiary undertakings	1,619	1,619
Indirect taxation and social security	118	124
Other creditors	99	766
	<u>16,429</u>	<u>13,457</u>

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

	Reorganisation Costs £000	Deferred Taxation £000	Total £000
1 January 1998	49	1,100	1,149
Released during the year	(154)	(228)	(382)
Recovered in cash	132	-	132
31 December 1998	<u>27</u>	<u>872</u>	<u>899</u>

The full deferred tax calculated at the corporation tax rate of 30% (1997: 31%) is as follows:

	1998 £000	1997 £000
Capital allowances in excess of depreciation	893	1,116
Other short term timing differences	(21)	(16)
	<u>872</u>	<u>1,100</u>

**14. SHARE CAPITAL**

	1998 £000	1997 £000
Authorised, allotted, called up and fully paid 6,085,000 Ordinary Shares of £1 each	<u>6,085</u>	<u>6,085</u>

**15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	Share Capital £000	Profit and Loss Account £000	Share- holders' Funds £000
At 1 January 1997	6,085	(5,255)	830
Loss for the year	-	(3,522)	(3,522)
At 31 December 1997	6,085	(8,777)	(2,692)
Loss for the year	-	(6,724)	(6,724)
At 31 December 1998	<u>6,085</u>	<u>(15,501)</u>	<u>(9,416)</u>

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**NOTES TO THE ACCOUNTS**

at 31 December 1998

**16. PENSION COMMITMENTS**

The majority of employees belong to the Rexam Employee Benefit Plan or the Rexam Executive Benefit Plan, pension schemes of the defined-benefit type. The charge in these accounts represents contributions paid to the schemes.

The charge does not take full account of the surplus disclosed in the Rexam Employee Benefit Plan by the last actuarial valuation which was carried out in April 1997, details of which are disclosed in the Annual Report and Accounts of Rexam PLC. The prepayment arising in respect of the group as a whole under the schemes is also disclosed in those accounts.

**17. 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, 114 Knightsbridge, London, SW1X 7NN.