

Samuel Jones & Co. Limited

Directors' report and financial statements

31 December 1997

Registered number 162828



Directors' report and financial statements

Contents

Directors' report and financial statements	1
Directors' report	1
Report of the auditors to the members of Samuel Jones & Co Limited	5
Profit and loss account	6
Note of historical cost profits and losses	7
Reconciliation of movements in shareholders' funds	7
Balance sheet	8
Notes	9

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The company is an integrated manufacturer and converter of laminated paper products for labelling and other packaging applications.

Review of activities

Turnover has reduced by 9.2% to £59.4 million (1996: £65.5 million) and operating profits have reduced by 22.7% to £3.5 million (1996: £4.6 million).

As predicted the continued strength of sterling had a significant effect on the 1997 results. Despite volume increases, turnover reduced by over £6.0 million which consequently affected operating profits. However, this effect was minimised by enhanced margins led by effective buying and improved production efficiencies, coupled with tight control of fixed costs.

In November, the company announced a reorganisation programme which will be implemented during 1998 in order to reduce fixed costs and thus enhance profitability. The cost of this programme is £2.2 million and has been fully provided for in these financial statements.

Results and dividends

The retained profit for the financial year amounted to £488,000 (1996: £838,000).

The directors do not recommend the payment of a final dividend (1996: £2,000,000).

Supplier payment policy

It is the policy to settle with suppliers as payments fall due provided the supplier has provided the goods and services in accordance with agreed terms and conditions. The Company does not operate under a standard code which deals specifically with payment of suppliers.

Trade creditors shown in the balance sheet at 31 December 1997 were equivalent to 56 days' average purchases during the year ended on that date (1996: 51 days).

Directors and directors' interests

The following directors held office during the year:

SD Boyd
K Lewis
AJ Boto
KJ Beamon

Directors' report *(continued)*

Directors and directors' interests *(continued)*

None of the directors held any interest in the shares of the company.

Mr SD Boyd is a director of Capital Industries PLC, the ultimate parent undertaking, and his interests in the shares of the company are set out in its financial statements.

The interests of the other directors, who were directors at the end of the year, in the ordinary shares of Capital Industries PLC are as follows:

	Capital Industries PLC Ordinary shares of 1p each	
	1997	1996
AJ Boto	1,462	1,462
KJ Beamon	1,125	1,125

AJ Boto, K Lewis and KJ Beamon had the following options over the ordinary shares of Capital Industries PLC.

Exercisable		Number of options on ordinary shares			
From	Until	Price (p)	1 January 1997	Issued in year	31 December 1997
AJ Boto					
11 July 1998	10 July 2005	138.6	10,130	-	10,130
26 April 1999	25 April 2006	191.9	2,894	-	2,894
1 September 2001	28 February 2002	164.8	2,930	-	2,930
25 April 2000	24 April 2007	192.5	-	5,400	5,400
			<hr/>	<hr/>	<hr/>
			15,954	5,400	21,354
K Lewis					
11 July 1998	10 July 2005	138.6	10,130	-	10,130
26 April 1999	25 April 2006	191.9	2,894	-	2,894
1 September 2001	28 February 2002	164.8	2,930	-	2,930
25 April 2000	24 April 2007	192.5	-	5,400	5,400
			<hr/>	<hr/>	<hr/>
			15,954	5,400	21,354
KJ Beamon					
26 April 1999	25 April 2006	191.9	13,024	-	13,024
1 September 2201	28 February 2002	164.8	1,465	-	1,465
25 April 2000	24 April 2007	192.5	-	2,600	2,600
21 October 2000	20 October 2007	170.0	-	30,000	30,000
			<hr/>	<hr/>	<hr/>
			14,489	32,600	47,089

Directors' report *(continued)*

Donations

During the year the company made contributions amounting to £645 (1996: £1,270) to charitable organisations.

Employment of disabled persons

The company gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. The company makes every effort to continue the employment of any of its employees who become disabled, including providing additional facilities and training where appropriate. Disabled employees share in the opportunities for career development and promotion that are available to other employees.


Employee involvement

The company has in place a system of keeping employees informed on matters affecting them as employees and the financial and economic factors affecting the performance of the company. This is achieved through regular consultations with employee representatives, by issuing internal announcements and by making available copies of the audited financial statements and announcements made to the London Stock Exchange. Eligible employees may also take up options to purchase shares in Capital Industries PLC, the ultimate parent undertaking under an Inland Revenue approved share scheme.

Auditors

A resolution will be proposed at the annual general meeting to re-appoint KPMG Audit Plc for the forthcoming year.

By order of the board



KJ Beamon
Company Secretary

Butterfly House
St Neots
Huntingdon
Cambridgeshire
PE19 4EE

25 August 1998

Statement of directors' responsibilities

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 for that period. 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; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Samuel Jones & Co Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 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 the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'KPMG Audit Plc', written in a cursive style.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

25 August 1998

Profit and loss account
for the year ended 31 December 1997

	<i>Note</i>	1997 Before exceptional item £000	1997 Exceptional item £000	1997 Total £'000	1996 Total £'000
Turnover	2	59,429	-	59,429	65,454
Cost of sales		(47,303)	(1,836)	(49,139)	(52,148)
Gross profit		12,126	(1,836)	10,290	13,306
Distribution costs		(6,138)	-	(6,138)	(6,067)
Administrative expenses		(2,441)	(364)	(2,805)	(2,653)
Operating profit		3,547	(2,200)	1,347	4,586
Interest receivable and similar income	6	117	-	117	105
Interest payable and similar charges	7	(612)	-	(612)	(620)
Profit on ordinary activities before taxation	3	3,052	(2,200)	852	4,071
Tax on profit on ordinary activities	8	(1,047)	683	(364)	(1,233)
Profit on ordinary activities after taxation		2,005	(1,517)	488	2,838
Dividends proposed	9			-	(2,000)
Retained profit for the financial year				488	838

A statement of movements on reserves is given in notes 18 and 19.

There are no other gains or losses other than the profit for the financial year as stated above in either the current or preceding year.

There were no discontinued activities during the year.

Note of historical cost profits and losses
for the year ended 31 December 1997

	1997 £'000	1996 £'000
Reported profit on ordinary activities before tax	852	4,071
Difference between the historical cost depreciation charge and the actual depreciation charge on the revalued amount	273	274
Historical cost profit on ordinary activities before tax	<u>1,125</u>	<u>4,345</u>


Reconciliation of movements in shareholders' funds
for the year ended 31 December 1997

	1997 £'000	1996 £'000
Profit for the financial year	488	2,838
Dividends on equity shares	-	(2,000)
Net increase in shareholders' funds	<u>488</u>	<u>838</u>
Opening shareholders' funds	11,830	10,992
Closing shareholders' funds	<u>12,318</u>	<u>11,830</u>

Balance sheet
at 31 December 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	10	10,002	9,153
Investments	11	265	265
		<u>10,267</u>	<u>9,418</u>
Current assets			
Stocks	12	6,151	5,898
Debtors	13	18,056	19,171
Cash at bank and in hand		404	2,323
		<u>24,611</u>	<u>27,392</u>
Creditors: amounts falling due within one year	14	(17,409)	(21,296)
Net current assets		<u>7,202</u>	<u>6,096</u>
Total assets less current liabilities		<u>17,469</u>	<u>15,514</u>
Creditors: amounts falling due after more than one year	15	(3,000)	(3,000)
Provisions for liabilities and charges	16	(2,151)	(684)
Net assets		<u>12,318</u>	<u>11,830</u>
Capital and reserves - Equity			
Called up share capital	17	5,883	5,883
Revaluation reserve	18	2,018	2,291
Profit and loss account	19	4,417	3,656
		<u>12,318</u>	<u>11,830</u>

These financial statements were approved by the board of directors on 25 August 1998 and were signed on its behalf by:


SD Boyd
Director

Notes

(forming part of the financial statements)

Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with applicable Accounting Standards.

A cashflow statement has not been prepared as permitted by paragraph 8(c) of Financial Reporting Standard 1.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is calculated so as to write off the cost or valuation of the tangible fixed assets on a straight line basis to their estimated residual value over the expected economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Plant, machinery and office equipment	- 10% and 6.25%
Computer equipment	- 20%
Motor vehicles	- 25%

Leased assets

Assets acquired under finance leases and hire purchase agreements are capitalised and depreciated in accordance with the company's depreciation policy. The capital element of future lease payments is included in the balance sheet as obligations under finance leases. The finance element of lease payments is charged to the profit and loss account.

Rentals under operating leases are charged to the profit and loss account as incurred over the lease term.

Stocks

Stocks are valued at the lower of cost and net realisable value. Where appropriate, cost includes an attributable proportion of direct labour and overhead expenses.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the value of goods and services invoiced to customers during the year, less any returns and rebates and excludes any value added tax thereon.

Notes (continued)

Principal accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange 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 translated using the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate, and the gains and losses on translation are included in the profit and loss account.

Pensions

A defined benefit pension scheme for employees is operated with the scheme's assets being held separately from those of the company. Contributions are paid in accordance with the recommendations of an independent actuary. Regular pension contributions are chargeable to the profit and loss account so as to spread the cost over the service lives of the employees.

Turnover

	1997 £'000	1996 £'000
Turnover by destination is analysed below:-		
Europe including the UK	54,910	61,558
Rest of the world	4,519	3,896
	<u>59,429</u>	<u>65,454</u>

Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Operating lease rentals:		
Hire of plant and machinery	169	95
Other	1,149	1,112
Auditors' remuneration:		
Audit work	25	42
Non audit work	16	16
Exchange losses on foreign currency translation	134	89
Depreciation of owned assets	989	743
Depreciation of assets held under finance leases and hire purchase contracts	46	201
	<u>1,418</u>	<u>1,394</u>

Notes (continued)

4 Directors and employees

The average weekly number of persons employed by the company during the year, including directors and those employed on a part-time basis was:

	1997 Number	1996 Number
Finance and administration	22	24
Sales and marketing	51	48
Production	286	293
	<u>359</u>	<u>365</u>

Staff costs during the year were as follows:

	1997 £'000	1996 £'000
Wages and salaries	8,373	8,692
Social security costs	692	704
Other pension costs	684	705
	<u>9,749</u>	<u>10,101</u>

Remuneration of directors

	1997 £'000	1996 £'000
Directors emoluments	385	379
Company contribution to a defined benefit pension scheme	29	26
	<u>414</u>	<u>405</u>

SD Boyd's emoluments for 1997 have been borne by another group company, where the costs appear in that company's accounts as a management charge and are not, therefore, included in staff costs above.

5 Exceptional item

	1997 £'000	1996 £'000
Operating item:		
Reorganisation costs	2,200	-
	<u>2,200</u>	<u>-</u>

Notes (continued)

6 Interest receivable and similar income

	1997 £'000	1996 £'000
Bank interest receivable	20	40
Interest received from group companies	97	65
	<u>117</u>	<u>105</u>

7 Interest payable and similar charges

	1997 £'000	1996 £'000
On overdrafts	595	520
On finance leases repayable within 5 years	17	100
	<u>612</u>	<u>620</u>

8 Tax on profit on ordinary activities

Tax is based on the profit for the year at 31.5% (1996: 33%) and comprises:

	1997 £'000	1996 £'000
UK corporation tax	875	1,339
Deferred taxation	(807)	-
	<u>68</u>	<u>1,339</u>
Prior year		
Corporation tax	74	(253)
Deferred tax	222	147
	<u>364</u>	<u>1,233</u>

9 Dividends proposed

	1997 £'000	1996 £'000
Equity shares		
Final dividend	-	2,000
	<u>-</u>	<u>2,000</u>

Notes (continued)

10 Tangible fixed assets

	Plant, machinery and equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost and valuation</i>			
At 1 January 1997	15,691	41	15,732
Additions	1,886	2	1,888
Disposals	(482)	(17)	(499)
At 31 December 1997	17,095	26	17,121
Representing:			
At valuation	9,372	-	9,372
At cost	7,723	26	7,749
<i>Depreciation</i>			
At 1 January 1997	6,549	30	6,579
Charge for year	1,032	3	1,035
Disposals	(482)	(13)	(495)
At 31 December 1997	7,099	20	7,119
<i>Net book value</i>			
At 31 December 1997	9,996	6	10,002
At 31 December 1996	9,142	11	9,153

The plant, machinery and equipment was revalued in 1992 by Dacre, Son & Hartley, a firm of valuation surveyors, on the basis of its market value for existing use. The resulting revaluation surplus has been incorporated in the financial statements.

The net book value of plant, machinery and equipment of the company prior to any revaluations would have been £7,984,000 (1996: £6,851,000). The depreciation charge on a historical cost basis would have been £762,000 (1996: £670,000).

The net book value of plant, machinery and equipment for the company includes an amount of £358,981 (1996: £404,427) in respect of assets held under finance leases.

Notes (continued)

11 Investments

The amounts stated in the company balance sheet at 31 December 1997 represent ordinary shares held in its wholly owned subsidiary undertaking.

	1997 £'000	1996 £'000	% Shareholding	Country of incorporation and operation	Nature of business
Samuel Jones SARL	265	265	100%	France	Sales office

Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales.

In the opinion of the directors, the aggregate value of the investment in the company's subsidiary undertaking is not less than the aggregate amount at which the investment is stated in the balance sheet.

12 Stocks

	1997 £'000	1996 £'000
Raw materials and consumables	1,410	1,369
Work in progress	1,678	1,560
Finished goods and goods for resale	3,063	2,969
	<u>6,151</u>	<u>5,898</u>

13 Debtors

	1997 £'000	1996 £'000
Trade debtors	14,277	14,990
Amounts owed by group undertakings	2,362	3,255
Other debtors	969	548
Prepayments and accrued income	448	378
	<u>18,056</u>	<u>19,171</u>

The company has entered into a debt financing agreement for its debtors. Under the terms of the agreement the third party has a right to require the company to repurchase any of these debtors if the debt is not settled.

Notes (continued)

14 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Obligations under finance leases and hire purchase contracts	-	124
Debt financing obligations	5,111	5,157
Trade creditors	8,605	8,594
Amounts owed to group undertakings	1,694	3,199
Corporation tax	162	526
Other taxes and social security	238	275
Other creditors	180	211
Dividends	-	2,000
Accruals and deferred income	1,419	1,210
	<u>17,409</u>	<u>21,296</u>

The debt financing obligations are secured by a charge over the book debts of the company. The total amount of discounted debts outstanding at 31 December 1997 was £5,111,000 (1996: £5,157,000).

15 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Other loans	3,000	3,000
	<u>3,000</u>	<u>3,000</u>

The company has a medium term loan of £3.0 million secured on its trade debtors.

16 Provisions for liabilities and charges

	1997 £'000	1996 £'000
Reorganisation provision	2,052	-
Deferred taxation	99	684
	<u>2,151</u>	<u>684</u>

Reorganisation provision

	1997 £'000
Charged in the year	2,200
Utilised	(148)
At 31 December 1997	<u>2,052</u>

The utilisation of the reorganisation provision in the year relates specifically to the purpose for which the provision has been created.

Notes (continued)

Deferred taxation

	1997 £'000	1996 £'000
At 1 January	684	537
Transfer (from)/to profit and loss account	(585)	147
At 31 December	<u>99</u>	<u>684</u>

The amounts provided and the amounts unprovided at 31 December are made up as follows:

	Unprovided 1997 £'000	1996 £'000	Provided 1997 £'000	1996 £'000
Tax effect of timing differences due to:				
Excess of tax allowances over depreciation	646	414	769	725
Other short term timing differences	-	-	(670)	(41)
	<u>646</u>	<u>414</u>	<u>99</u>	<u>684</u>

The company provides for deferred taxation on the liability method and capital expenditure forecasts indicate that the accelerated capital allowances are unlikely to fully reverse in the foreseeable future.

17 Called up share capital

	1997 £'000	1996 £'000
<i>Authorised:</i>		
£1 ordinary shares	6,076	6,076
<i>Allotted and fully paid:</i>		
£1 ordinary shares	5,883	5,883

18 Revaluation reserve

	1997 £'000	1996 £'000
At 1 January	2,291	2,565
Transferred to profit and loss account	(273)	(274)
At 31 December	<u>2,018</u>	<u>2,291</u>

Notes (continued)

19 Profit and loss account

	1997 £'000	1996 £'000
At 1 January	3,656	2,544
Retained profit for financial year	488	838
Transfer from revaluation reserve	273	274
At 31 December	<u>4,417</u>	<u>3,656</u>

20 Capital commitments

At 31 December, the company had the following capital commitments:

	1997 £'000	1996 £'000
Contracted for, but not provided	<u>404</u>	<u>245</u>

21 Other financial commitments

The company has the following annual commitments under non-cancellable operating leases which expire:

	1997 £'000	1996 £'000
Land and buildings		
Within one year	110	108
Two to five years	15	16
Over five years	550	550
	<u>675</u>	<u>674</u>
Other		
Within one year	216	127
Two to five years	292	422
	<u>508</u>	<u>549</u>

22 Pension schemes

The company operates a pension scheme covering the majority of employees. The Scheme is a funded defined benefit scheme with assets held in separate trustee administered funds.

The pension cost for the company was £684,000 (1996: £705,000).

The pension expense was determined following an actuarial valuation of the Samuel Jones Pension Scheme by Punter Southall & Co, consulting actuaries, as at 1 February 1996 using the projected unit method. The principal actuarial assumptions adopted for the purpose of SSAP 24 in the valuation were a long term rate of return on investments of 10% per annum, salary increases of 7.0% per annum, dividend growth of 5.75% per annum and an allowance for increases in pensions at the rate of 5.0% per annum (or the increase in the Retail Price Index if lower).

22 Pension schemes (continued)

At the valuation date, the actuarial value of the assets on this basis was sufficient to cover 91% of the benefits that had accrued to members in the Scheme. The market value of the Scheme's assets at 6 April 1997 amounted to £19.3 million.

23 Contingent liabilities

Under company banking arrangements, bank loans and advances to Capital Industries PLC, the ultimate parent undertaking, and a number of fellow subsidiary undertakings, are secured by an unlimited cross guarantee. At 31 December 1997, the amount guaranteed was £2,172,000 (1996: £5,368,000).

24 Parent undertaking

The immediate parent undertaking of Samuel Jones & Co Limited is CI (Industrial) Limited.

In the opinion of the directors, the ultimate parent undertaking of Samuel Jones & Co. Limited is Capital Industries PLC, a company registered in England and Wales and incorporated in Great Britain. Copies of Capital Industries PLC financial statements may be obtained from Millbank, Stoke Road, Cheltenham, GL52 4RW