

R.W. KENT SEVERNSIDE LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30TH APRIL 1994

REGISTERED IN ENGLAND NO. 254297



R. W. KENT SEVERNSIDE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30TH APRIL 1994

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R. W. KENT SEVERNSIDE LIMITED  
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS                      J.P. Swallow - Chairman  
                                     M.T. Heskin  
                                     O.A. Stratton - Appointed 12.1.94  
                                     J.R. Trevethick - Appointed 12.1.94

SECRETARY                      A. Richardson

REGISTERED OFFICE            16 Great Peter Street  
                                     LONDON  
                                     SW1P 2BX

AUDITORS                        KPMG Peat Marwick  
                                     Marlborough House  
                                     Fitzalan Court  
                                     Fitzalan Road  
                                     Cardiff   CF2 1TE

BANKERS                         National Westminster Bank PLC  
                                     57 Aldwych  
                                     London   WC2B 4DH

## R.W. KENT SEVERNSIDE LIMITED

### DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 30th April 1994.

#### Principal Activity

The principal activity of the Company continues to be the factoring and processing of waste paper.

#### Business Review and Financial Results

Operating losses were reduced in the year as the Company restricted the collection of uneconomic grades of waste paper and reduced other operating costs.

The Directors continue to seek areas of profitable development of the Company's business. In addition to the Company's own skills, there are considerable technical, financial and marketing resources available within the Group which will enable the company to exploit any opportunities that may arise.

The loss for the year after taxation was £65,000 (1993 - loss £280,000).

The Directors do not recommend payment of a dividend (1993 - nil).

The 49% of the Ordinary Share Capital of the Company previously owned by Birmingham Waste Ltd was acquired by St Regis Paper Co Ltd on 12th January 1994 for a total consideration of £1.

#### Fixed Assets

There were no significant changes in fixed assets, and the movements are shown in note 7 to the accounts.

#### Directors and Directors' Interests

The Directors who served during the year are as follows:

J.P. Swallow      Chairman and Managing Director  
S.C. Botwright - Resigned 12.1.94  
M.T. Heskin  
D.A. Morgan - Resigned 28.2.94  
G.S. Tierney - Resigned 12.1.94  
O.A. Stratton - Appointed 12.1.94  
J.R. Trevethick - Appointed 12.1.94

J P Swallow had an interest at 30th April 1994 in 33,522 ordinary share options granted but not yet exercised under the Executive Share Option Schemes and the 1992 Employee Savings - Related Share Option Scheme of the Company's ultimate parent David S. Smith (Holdings) Plc. (1st May 1993 34,266 options).

The share options are exercisable at various dates up to 11 October 2002 and at prices ranging between 243p and 282p per share inclusive.

The interest of Messrs M.T. Heskin, O.A. Stratton and J.R. Trevelthick in the shares of David S Smith (Holdings) Plc is disclosed in the Directors' Report of St Regis Paper Company Limited.

The Company maintains with underwriters a policy indemnifying the Directors against loss attaching to legal liabilities.

#### Disabled Employees

It is Company policy that disabled persons shall be considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees.

#### Employee Communications and Involvement

The Company recognises the importance of employee communications, and employee briefings and consultative meetings are held on a regular basis.

#### Statement of Directors' Responsibilities

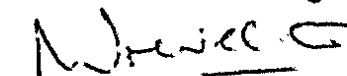
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- 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;
- 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 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.

#### Auditors

In accordance with Section 385(1) of the Companies Act 1985, a resolution proposing KPMG Peat Marwick for reappointment as Auditors of the Company will be put to the Annual General Meeting.



On Behalf of the Board  
J R Trevelthick  
Director  
18 July 1994

**R.W. KENT SEVERNSIDE LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH APRIL 1994**

	<u>Note</u>	<u>1994</u> £000	<u>1993</u> £000
Turnover	2	402	612
Cost of sales		(321)	(622)
		-----	-----
Gross profit/(loss)		81	(10)
Distribution costs		(94)	(149)
Administrative expenses		(62)	(100)
		-----	-----
Operating loss		(75)	(259)
Other income	3	34	
Interest payable	4	(24)	(12)
		-----	-----
Loss on ordinary activities before taxation	4	(65)	(271)
Taxation	5	-	(9)
		-----	-----
Loss on ordinary activities after taxation		(65)	(280)
		-----	-----
Retained loss for the year	14	(65)	(280)
Retained (loss)/profit brought forward		(215)	65
		-----	-----
Retained (loss) carried forward		(280)	(215)
		=====	=====

The notes on pages 6 to 11 form part of these accounts.

The above results represent the Company's total recognised gains and losses in both financial years.

BALANCE SHEET AT 30TH APRIL 1994

The accounts on pages 4 to 11 were approved by the Board of Directors on 18th July 1994 and were signed on its behalf by:

M.T. Heskin - Director

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## R.W. KENT SEVERNSIDE LIMITED

### NOTES TO THE ACCOUNTS

#### 1. Accounting Policies

A summary of the principal accounting policies is set out below, all of which have been applied consistently.

##### (a) Accounting Basis

The accounts are prepared in accordance with applicable Accounting Standards except that certain long leasehold land and buildings are included at valuation.

The Company is supported by its parent company, St Regis Paper Company Limited, who have confirmed their policy as being one of continued support. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

##### (b) Turnover

Turnover represents the amount receivable for goods and services supplied to customers net of value added tax and trade discounts.

##### (c) Fixed Assets and Depreciation

Depreciation is calculated to write off the cost of all tangible fixed assets in equal annual instalments over their estimated useful economic lives at the following rates:

Plant, machinery, fixtures and fittings	10% pa
Motor vehicles	20% pa
Long leasehold properties	5% pa

##### (d) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

##### (e) Leasing Transactions

Fixed assets acquired under a lease that transfers substantially all the risks and rewards of ownership to the Company are capitalised as tangible fixed assets. Future instalments due under the leases, net of finance charges, are included with creditors. The finance element of the rental payments is charged to the profit and loss account over the term of the lease in proportion to the balances outstanding. All other leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the life of the lease.



# R.W. KENT SEVERNSIDE LIMITED

## NOTES TO THE ACCOUNTS - continued

### (f) Deferred Taxation

Deferred taxation is provided, using the liability method, at the existing Corporation Tax rate in respect of material timing differences which are expected to reverse in the foreseeable future.

### (g) Cash Flow Statement

No cash flow statement has been prepared for the year ended 30th April 1994 as the company's ultimate parent company, David S. Smith (Holdings) Plc prepares consolidated financial statements which include a cash flow statement dealing with the cash flow of the Group.

2. Turnover and loss before taxation is attributable to the processing of waste paper in the UK.

	<u>1994</u> £000	<u>1993</u> £000
	402	612
3. <u>Other Income</u>		
Loan forgiven	34	-
4. <u>Loss Before Tax</u>		
Loss before tax is stated after charging:		
Directors' emoluments	-	-
Auditors' remuneration: Audit work	1	1
Depreciation	18	21
Rentals payable under operating leases:		
Plant and machinery	75	98
Other	5	10
Interest payable on bank overdraft repayable within five years	24	12

No remuneration was paid to the Directors during the year (1993 - nil).

### 5. Taxation

UK corporation tax	-	-
Prior year adjustment	-	(9)
	-	(9)

# R.W. KENT SEVERNSIDE LIMITED

## NOTES TO THE ACCOUNTS - continued

	<u>1994</u>	<u>1993</u>
	<u>Number</u>	<u>Number</u>
6. <u>Employees and Directors</u>		
The average number of persons employed by the Company (including Directors and part-time employees) during the year was:		
Production	12	12
Selling and administration	2	2
	<u>14</u>	<u>14</u>
	£000	£000
Their total remuneration was:		
Wages and salaries	159	212
Social security costs	13	17
Other pension costs (see note 16)	5	8
	<u>177</u>	<u>237</u>

## 7. Tangible Fixed Assets

	Land & Buildings Long Leasehold £000	Plant & Machinery £000	Total £000
OWNED ASSETS			
Cost or valuation:			
At 2nd May 1993	134	320	454
Capital Expenditure	-	-	-
Disposals	-	(2)	(2)
Group transfers out	-	(2)	(2)
	<u>134</u>	<u>316</u>	<u>450</u>
At 30th April 1994	134	316	450
Depreciation			
At 2nd May 1993	79	263	342
Provision for the year	6	12	18
Disposals	-	(2)	(2)
Group transfers out	-	(2)	(2)
	<u>85</u>	<u>271</u>	<u>356</u>
At 30th April 1994	85	271	356
Net Book Value at 30th April 1994	<u>49</u>	<u>45</u>	<u>94</u>
Net Book Value at 1st May 1993	<u>55</u>	<u>57</u>	<u>112</u>

## R.W. KENT SEVERNSIDE LIMITED

### NOTES TO THE ACCOUNTS - continued

The assets listed are stated at cost, with the exception of certain leasehold land and buildings which are included at valuation as follows:

	<u>1994</u> £000	<u>1993</u> £000
Professionally valued in 1979	<u>131</u>	<u>131</u>

If the land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	<u>1994</u> £000	<u>1993</u> £000
Cost	69	69
Accumulated Depreciation	49	46
	<u>20</u>	<u>23</u>

#### 8. Stocks

Raw materials and consumables	5	5
Finished goods	4	11
	<u>9</u>	<u>16</u>

#### 9. Debtors

Falling due within one year:		
Trade debtors	50	22
Amounts owed by Group undertakings	17	65
Prepayments and accrued income	14	15
	<u>81</u>	<u>102</u>

#### 10. Creditors

Falling due within one year:		
Bank overdraft	312	235
Trade creditors	56	79
Other taxes and social security	3	4
Accruals and deferred income	34	34
Loan payable	-	34
	<u>405</u>	<u>386</u>

# R.W. KENT SEVERNSIDE LIMITED

## NOTES TO THE ACCOUNTS - continued

### 11. Creditors

Falling due after one year:		
Amount owed to Group undertaking	5	5
	<u>==</u>	<u>==</u>

### 12. Provisions for Liabilities and Charges

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Deferred taxation:		
At 2nd May 1993 and 30th April 1994	9	9
	<u>==</u>	<u>==</u>

	Full Potential Liability		Actual Provision	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Accelerated capital allowances	9	9	9	9
Losses carried forward	(115)	(96)	-	-
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
	(106)	(87)	9	9
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

The above figures exclude taxation payable on capital gains which may arise if land and buildings were sold for the amounts at which they are carried in the Company's balance sheet, as in the opinion of the directors such properties will be retained for use in the business or would be replaced by similar assets.

### 13. Share Capital

Ordinary Shares at £1 each  
Authorised, Issued and Fully Paid  
£

At 2nd May 1993 and 30th April 1994	100
	<u>==</u>

### 14. Reconciliation of movements in shareholders' funds

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Loss for the financial year	(65)	(280)
Opening shareholders' funds	(170)	110
	<u>-----</u>	<u>-----</u>
Closing shareholders' funds	(235)	(170)
	<u>==</u>	<u>==</u>

# R.W. KENT SEVERNSIDE LIMITED

## NOTES TO THE ACCOUNTS - continued

	<u>1994</u> £000	<u>1993</u> £000
<b>15. <u>Commitments</u></b>		
Capital:		
Contracted	-	-
Authorised by Directors but not contracted	-	-
	<u>-----</u>	<u>-----</u>
	-	-
	<u>=====</u>	<u>=====</u>

### Other:

The Company has the following commitments for minimum annual rentals under non-cancellable operating leases which expire:

	Land and Buildings		Other	
	<u>1994</u> £000	<u>1993</u> £000	<u>1994</u> £000	<u>1993</u> £000
Within one year	-	-	20	26
Within 2 - 5 years	-	-	50	53
After 5 years	9	7	-	-
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
	9	7	70	79
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

## 16. Pensions

The Company's ultimate parent undertaking David S.Smith (Holdings) PLC, operates two defined benefit pension schemes of which the Company is a participating employer. The pension cost in the Company's accounts is equal to the charge made for pensions by David S.Smith (Holdings) PLC in lieu of the regular pension cost. The SSAP 24 disclosure can be found in the accounts of David S.Smith (Holdings) PLC.

## 17. Ultimate Parent Company

The ultimate parent Company is David S.Smith (Holdings) PLC, a company incorporated and registered in England. Accounts for the ultimate parent company may be obtained from The Company Secretary at 16 Great Peter Street, London SW1P 2BX.

**R.W. KENT SEVERNSIDE LIMITED**

**AUDITORS' REPORT TO THE MEMBERS OF  
R.W. KENT SEVERNSIDE LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

*Respective responsibilities of Directors and Auditors*

As described on page 3, 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 mis-statement, 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 30th April 1994 and of the Company's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**KPMG-Peat Marwick**  
Chartered Accountants  
Registered Auditors

15 July 1994