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SHIELD PACKAGING LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 13TH JANUARY 1990

5 SEP 1990

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KPMG PEAT MARWICK McLINTOCK
7 Tib Lane, Manchester M2 5DS.

SHIELD PACKAGING LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year to 13th January 1990.

Trading operations

The principal activity of the company during the year was the manufacture of packaging materials, printing, binding, and similar operations.

Review of trade

Details of trading are shown in the attached profit and loss account, resulting in a turnover of £6,482,000 and a loss on ordinary activities before taxation of £(396,000).

Fixed assets

Details with regard to changes in fixed assets are set out in note 7 to the financial statements.

Dividend

The Directors do not recommend payment of a dividend.

Directors

The Directors of the company during the year were:

T.J. Howarth
R.T. Dixon

None of the directors had any beneficial interest in the company (although each individual director held one share as a nominee of the parent body throughout the term of office during the period under review).

Subsequent events

No significant events have occurred since the conclusion of the financial year.

Future prospects

The company is expected to expand its operations in the manner in which it trades at present.

SHIELD PACKAGING LIMITED

DIRECTORS' REPORT
(continued)

Auditors

On 1st January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

M.A. Lees

M.A. LEES
Secretary

Registered office:
New Century House,
Manchester. M60 4ES

AUDITORS' REPORT TO THE MEMBERS OF

SHIELD PACKAGING LIMITED

We have audited the financial statements on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 13th January 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

W. P. H. G. Rees Harwood M. E. Lintock

Chartered Accountants

Manchester

10th July 1990

SHIELD PACKAGING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 13TH JANUARY 1990

	<u>Notes</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Turnover	3	6,482	7,159
Cost of sales		<u>4,811</u>	<u>5,458</u>
Gross Profit		1,671	1,701
Distribution costs		181	219
Administrative expenses		1,886	1,728
		<u>(2,067)</u>	<u>(1,947)</u>
Loss on ordinary activities before taxation	3-4	(396)	(246)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation and for the financial year		(396)	(246)
Retained deficit brought forward		<u>(1,513)</u>	<u>(1,267)</u>
Retained deficit carried forward		<u>(1,909)</u>	<u>(1,513)</u>

The notes on pages 7 to 12 form part of these financial statements.

SHIELD PACKAGING LIMITEDBALANCE SHEETAS AT 13TH JANUARY 1990

	<u>Notes</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	7	4,321	2,624
CURRENT ASSETS			
Stocks	8	1,198	1,409
Debtors	9	1,324	1,240
Cash at bank and in hand		83	78
		2,605	2,727
CREDITORS: Amounts falling due within one year	10	8,831	6,857
NET CURRENT LIABILITIES		(6,226)	(4,130)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,905)	(1,506)
CREDITORS: Amounts falling due after more than one year	10	(4)	(7)
		(1,909)	(1,513)
CAPITAL AND RESERVES			
Called up Share Capital	12	(1,909)	(1,513)
Profit and Loss Account		(1,909)	(1,513)

R.T. Dixon
R.T. DIXON

T.J. Howarth
T.J. HOWARTH

)
)
) DIRECTORS
)

Approved by the Board on 10th July 1990.

The notes on pages 7 to 12 form part of these financial statements.

SHIELD PACKAGING LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 13TH JANUARY 1990

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
SOURCE OF FUNDS		
Proceeds of sale of tangible fixed assets	20	50
Total generated from operations	20	50
APPLICATION OF FUNDS		
Loss on ordinary activities before taxation	(396)	(246)
Adjustment for items not involving the movement of funds:		
Depreciation	383	271
Profit on sale of fixed assets	(15)	(28)
Purchase of tangible fixed assets	(2,082)	(1,711)
Intra group transfers of fixed assets	(3)	-
	(2,093)	(1,664)
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	(211)	597
Debtors	84	230
Cash at bank and in hand	5	67
Creditors	473	(492)
	351	402
INCREASE IN AMOUNT DUE TO PARENT ORGANISATION	<u>2,444</u>	<u>2,066</u>

SHIELD PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985.

Deferred taxation

No provision for deferred taxation has been made as the parent organisation has indicated that any liability to deferred taxation will be met by the parent organisation.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Fixed assets

Fixed assets are written off over their estimated useful lives as follows:

Plant and machinery	- 7 to 10 years
Leasehold improvements	- 20 years.

The asset lives have been revised for all new plant acquired in 1989 and onwards so that these assets are being written off over 10 years rather than over 7 years as was previously the case. The asset lives of the bread bag and carrier bag machines acquired in mid 1986 have been revised so that the remaining net book value is being written off over eight years, i.e. the residue of the ten year life. The directors consider the change is necessary so that the assets are being written off over their useful economic life. Had the existing rate been used, then the depreciation charge for 1989 would have been £129,000 higher.

Finance Leases

Plant acquired under finance leases is capitalised based on the purchase price of the assets. Depreciation is provided on the same basis as for owned assets. The interest element of the lease payment is charged to profit and loss account over the primary lease period.

The capital value of the leases is included in the balance sheet as a liability, reduced by the capital element of the lease payments.

Operating Leases

Rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

SHIELD PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

1. ACCOUNTING POLICIES (continued)

Pension costs

The company participates in the Co-operative Wholesale Society Limited Pension Scheme which is a defined benefit pension scheme. In accordance with actuarial advice, pension costs are charged to the profit and loss account so as to spread the costs over the expected service lives of employees. Contributions are determined by a qualified actuary with the most recent valuation as at April 1989. Further information relating to the scheme is disclosed in the accounts of the parent organisation (note 16).

2. ACCOUNTING DATE

Since the financial year is virtually co-terminous with the calendar year 1989, the financial year's figures are headed 1989 and the corresponding figures for the previous period are headed 1988.

3. ANALYSIS OF TURNOVER AND LOSS BEFORE TAXATION

The whole of the company's turnover and loss before taxation arises from its trading operations within the United Kingdom.

4. TRADING LOSS

The trading loss is stated after charging:

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Directors' remuneration	-	-
Depreciation of tangible fixed assets	383	271
Auditor's remuneration	16	7
Finance charges in respect of finance leases	4	1
Operating lease rentals:		
Land and building	91	119
Plant and vehicles	26	25
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5. EMPLOYEES

	<u>1989</u>	<u>1988</u>
<u>Average number of employees</u>	<u>144</u>	<u>139</u>
	<hr/>	<hr/>
	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
<u>Employee costs</u>		
Wages and salaries	1,614	1,759
Social security costs	161	176
Other pension costs	98	117
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	<u>1,873</u>	<u>2,052</u>
	<hr/>	<hr/>

No employees received emoluments exceeding £30,000.

SHIELD PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)6. TAX ON PROFIT ON ORDINARY ACTIVITIES

No liability to UK Corporation Tax arose during the year.

All current losses have been surrendered by way of group relief to other group companies for which no payment will be made.

There is no potential deferred tax payable as the company has losses brought forward of £2.5M (1988 : £2.5M) available to offset against future trading profits.

7. TANGIBLE FIXED ASSETS

	<u>Leasehold improvements</u> £000	<u>Plant and machinery</u> £000	<u>Payments on account</u> £000	<u>Total</u> £000
<u>Cost</u>				
At 15th January 1989	50	3,160	197	3,407
Additions during year	-	1,933	149	2,082
Transfers	-	197	(197)	-
Disposals	-	(21)	-	(21)
Intra group transfers				
- additions	-	10	-	10
- disposals	-	(4)	-	(4)
At 13th January 1990	50	5,275	149	5,474
<u>Depreciation</u>				
At 15th January 1989	8	775	-	783
Charge for year	3	380	-	383
Disposals	-	(16)	-	(16)
Intra group transfers				
- additions	-	7	-	7
- disposals	-	(4)	-	(4)
At 13th January 1990	11	1,142	-	1,153
<u>Net book value</u>				
13th January 1990	39	4,133	149	4,321
15th January 1989	42	2,385	197	2,624

Plant and machinery includes assets held under finance leases as follows:

	<u>1989</u> £000	<u>1988</u> £000
Costs	100	100
Accumulated depreciation	93	89
	7	11

SHIELD PACKAGING LIMITEDNOTES TO THE FINANCIAL STATEMENTS
(continued)8. STOCKS

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Raw materials and consumables	500	758
Work-in-progress	394	292
Finished goods and goods for resale	304	359
	<u>1,198</u>	<u>1,409</u>

There is no material difference between the replacement costs of stocks and their balance sheet values.

9. DEBTORS

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
All due within one year:		
Trade debtors	1,296	1,167
Amounts owed by group companies:		
Holding company and fellow subsidiaries	3	18
Prepayments and accrued income	25	55
	<u>1,324</u>	<u>1,240</u>

10. CREDITORS

	<u>1989</u>		<u>1988</u>	
	<u>Due within</u> <u>one year</u> <u>£000</u>	<u>Due after</u> <u>one year</u> <u>£000</u>	<u>Due within</u> <u>one year</u> <u>£000</u>	<u>Due after</u> <u>one year</u> <u>£000</u>
Trade creditors	589	-	1,135	-
Amounts owed to group companies: Holding company and fellow subsidiaries	8,006	-	5,562	-
Other tax and social security	87	-	46	-
Other creditors	1	-	1	-
Accruals and deferred income	145	-	109	-
Finance leases	3	4	4	7
	<u>8,831</u>	<u>4</u>	<u>6,857</u>	<u>7</u>

Analysis

Repayable within five years	<u>4</u>	<u>7</u>
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SHIELD PACKAGING LIMITEDNOTES TO THE FINANCIAL STATEMENTS
(continued)11. FINANCE LEASES

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Gross lease payments outstanding	11	16
Less: future finance charges	(4)	(5)
Capital value at 13th January 1990	7	11
Less: amounts falling due within one year	(3)	(4)
Amounts falling due after more than one year	4	7

12. CALLED UP SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	
	<u>£</u>	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Ordinary shares of £1 each	100	100	100

13. CAPITAL COMMITMENTS

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Expenditure committed, but not yet provided for	1,261	1,543
Expenditure authorised by the directors but not contracted for	-	513

14. OPERATING LEASES

The company has commitments for payments in the next year under operating leases as follows:

	<u>1990</u>			<u>1989</u>		
	<u>Land and Buildings</u> <u>£000</u>	<u>Other</u> <u>£000</u>	<u>Total</u> <u>£000</u>	<u>Land and Buildings</u> <u>£000</u>	<u>Other</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Operating leases which expire:						
Within one year	15	-	15	-	-	-
Over five years	-	-	-	91	-	91
	15	-	15	91	-	91

SHIELD PACKAGING LIMITEDNOTES TO THE FINANCIAL STATEMENTS
(continued)15. FINANCIAL SUPPORT

The parent organisation has indicated its intention to provide sufficient finance to the company to enable it to meet its liabilities for a period of at least one year or until leaving the Co-operative Wholesale Society group if earlier.

16. PARENT ORGANISATION

The company is a wholly owned subsidiary of Co-operative Wholesale Society Limited, an Industrial and Provident Society incorporated in England.