

 Touche Ross

UK CORRUGATED LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 1986

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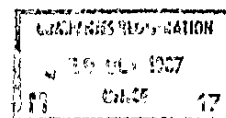
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UK CORRUGATED LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 1986

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR



UK CORRUGATED LIMITED

REPORT AND FINANCIAL STATEMENTS 1986

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UK CORRUGATED LIMITED

DIRECTORS' REPORT

Directors: J.D. Bence
J.A. Breeden
R.I. Buck
P.S. Butterick
D.G. Johnson
J. Trotman

Secretary: P.S. Butterick

The directors present their report for the year ended 31 December 1986.

1. RESULTS AND DIVIDENDS

The directors submit the audited financial statements for the year ended 31 December 1986.

The results for the year, as set out on page 4, reflect a loss after taxation of £841,783. No dividend is proposed by the directors.

2. PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

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

Turnover has again increased in 1986 although the level of operating profit was not maintained at the level for the previous year. The directors expect similar levels of turnover and operating profit to be achieved in 1987 as compared to 1986. The net results continue to be adversely affected by interest payable.

3. FIXED ASSETS

The movements in fixed assets during the year are summarised in the notes to the financial statements.

In the opinion of the directors the current value of the land and buildings is not significantly different from the amount included in the financial statements.

4. DIRECTORS

The present membership of the board is listed above and all directors served throughout the year.

None of the directors had a beneficial or non-beneficial interest in the shares of the company or in any other group company.

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UK CORRUGATED LIMITED

DIRECTORS' REPORT

5. EMPLOYEE INVOLVEMENT

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

6. DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment by disabled persons.

Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions in the company's employment.

7. CHARITABLE DONATIONS

During the year the company made various charitable donations totalling £1,245.

8. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be put to the forthcoming Annual General Meeting.

By Order of the Board

P.S. BUTTERICK 

Secretary

24/30 King Street,
Watford,
Hertfordshire WD1 8BP

22 June 1987

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 **Touche Ross**
Chartered Accountants

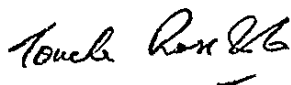
UK CORRUGATED LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1986 and of the loss for the year then ended and comply with the Companies Act 1985.

The financial statements do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No 10.



Chartered Accountants
London

22 June 1987

Aberdeen, Birmingham, Bracknell, Bristol, Cardiff, Chesham, Crawley, Dartford, Edinburgh
Glasgow, Leeds, Leicester, Liverpool, London, Luton, Manchester, Newcastle upon Tyne,
Newport, Plymouth, Swansea, and Wolverhampton

Principal place of business at which a list of partners' names is available
Hill House, 1 Little New Street, London EC4A 3DF

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UK CORRUGATED LIMITED

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PROFIT AND LOSS ACCOUNT
Year ended 31 December 1986

	Note	1986 £	1985 £
TURNOVER	2	42,482,736 =====	40,448,239 =====
OPERATING PROFIT	3	1,597,616	2,235,805
Interest receivable		578,000	583,500
Interest payable	5	(3,017,399)	(3,197,717)
(Loss) on ordinary activities before taxation		(841,783)	(378,412)
Taxation on loss on ordinary activities	6	-	-
(Loss) on ordinary activities after taxation		(841,783)	(378,412)
Retained profit brought forward		571,564	949,976
Retained (loss)/profit carried forward		£ (270,219) =====	£ 571,564 =====

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UK CORRUGATED LIMITED

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BALANCE SHEET 31 December 1986

	Note	1986		1985	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		6,637,128		6,461,078
Investments	8		<u>14,890,379</u>		<u>14,887,879</u>
			21,527,507		21,348,957
CURRENT ASSETS					
Stocks	9	2,516,137		2,446,878	
Debtors	10	41,785,700		31,631,857	
Cash at bank and in hand		<u>674,794</u>		<u>2,748,854</u>	
		44,975,631		36,827,589	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>10,952,000</u>		<u>15,258,719</u>	
NET CURRENT ASSETS			<u>34,024,631</u>		<u>21,568,870</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			55,552,138		42,917,827
CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR	12		<u>54,234,959</u>		<u>40,758,865</u>
NET ASSETS			£ 1,317,179		£ 2,158,962
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	14		250,000		250,000
Revaluation reserve			1,212,496		1,212,496
Other reserves			124,902		124,902
Profit and loss account			<u>(270,219)</u>		<u>571,564</u>
			£ 1,317,179		£ 2,158,962
			=====		=====

These financial statements were approved by the Board of Directors on
22 June 1987.

[Signature]
[Signature])
Directors

UK CORRUGATED LIMITED



NOTES TO THE ACCOUNTS
Year ended 31 December 1986

1. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost basis of accounting, modified to include the revaluation of certain freehold land and buildings.

(b) Tangible Fixed Assets

Tangible fixed assets are included at the net cost to the company after deducting investment, building and development area grants received or estimated to be receivable or at valuation in 1978 in the case of certain freehold land and buildings.

Assets transferred between companies in the group are recorded at the cost to the group company together with the cumulative depreciation provided thereon.

(c) Depreciation

Buildings and plant in course of construction and freehold land are not depreciated. The cost or valuation of all other tangible assets is written off over the expected useful life of the asset on a straight line basis.

The principal annual rates are 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

(d) Stocks

Raw materials, consumables and other stocks are valued at the lower of cost and net realisable value after conversion into the company's products. Work in progress and finished goods are valued at the lower of factory cost and net realisable value.

(e) Deferred Taxation

Deferred taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the future.

(f) Leasing

Rentals payable under all leases are charged to income as incurred.

UK CORRUGATED LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 1986

2. TURNOVER

The turnover and operating profit before taxation are attributable to the principal activity of the company. Turnover represents the invoiced value of goods supplied during the year, excluding sales of waste materials and value added tax, to United Kingdom customers.

3. OPERATING PROFIT

	1986 £	1985 £
Turnover	42,482,736	40,448,239
Cost of sales	<u>36,383,972</u>	<u>34,522,463</u>
Gross profit	6,092,764	5,925,776
Distribution costs	1,943,048	1,868,523
Administrative expenses	<u>2,552,100</u>	<u>1,821,448</u>
	£1,597,616	£ 2,235,805
	=====	=====

Operating profit is stated after charging the following:

Depreciation of tangible fixed assets	605,136	610,147
Lease of plant and machinery	553,115	486,177
Lease of building	129,000	129,053
Hire of plant and machinery	70,479	28,285
Auditors' remuneration	16,100	19,590
Redundancy costs	258,676	42,450

4. EMPLOYEES AND DIRECTORS

	1986 £	1985 £
Staff costs:		
Salaries and wages	9,833,528	8,853,249
Social security costs	<u>698,668</u>	<u>612,006</u>
	£10,532,196	£9,465,255
	=====	=====

The average number of persons employed by the company (including directors) during the year was as follows:

	Number	Number
Office and management	84	84
Production and sales	<u>782</u>	<u>789</u>
	866	873
	===	===

UK CORRUGATED LIMITED

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NOTES TO THE ACCOUNTS
Year ended 31 December 1986

4. EMPLOYEES AND DIRECTORS (continued)

Remuneration of senior employees which fall within the following scale:

	1986 Number	1985 Number
£30,001 - £35,000	-	1
£40,001 - £45,000	1	-

Staff costs include the following in respect of directors:

Other emoluments	£269,833 *****	£209,323 *****
------------------	-------------------	-------------------

Excluding pension contributions, the emoluments of the chairman and highest paid director were £66,678 (1985 chairman and highest paid director £54,124). The emoluments of the other directors were within the following scales:

	Number	Number
£25,001 - £30,000	-	2
£30,001 - £35,000	2	2
£35,001 - £40,000	2	1
£40,001 - £45,000	1	-

5. INTEREST PAYABLE

	1986 £	1985 £
On bank overdraft and loans repayable within five years	1,850,652	1,723,599
To group companies	<u>1,166,747</u>	<u>1,474,118</u>
	£3,017,399 *****	£3,197,717 *****

6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	1986	1985
United Kingdom corporation tax	£ - *****	£ - *****

The taxation charge does not bear a normal relationship to the loss for the year due to timing differences and the utilisation of group relief for which no payment is made.

UK CORRUGATED LIMITED



NOTES TO THE ACCOUNTS Year ended 31 December 1986

7. TANGIBLE FIXED ASSETS	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation:				
At 1 January 1986	4,215,731	7,660,757	112,820	11,989,308
Additions	24,123	746,861	12,417	783,401
Disposals	-	(221,927)	(54,070)	(275,997)
Net group transfers	-	128,985	9,716	138,701
At 31 December 1986	<u>4,239,854</u>	<u>8,314,676</u>	<u>80,883</u>	<u>12,635,413</u>
Depreciation:				
At 1 January 1986	598,267	4,830,474	99,489	4,428,230
Charge for the year	84,866	511,569	8,701	605,136
Disposals	-	(221,269)	(51,039)	(272,308)
Net group transfers	-	127,511	9,716	137,227
At 31 December 1986	<u>683,133</u>	<u>5,248,285</u>	<u>66,867</u>	<u>5,998,285</u>
Net book value:				
At 31 December 1986	<u>£3,556,721</u>	<u>3,066,391</u>	<u>£ 14,016</u>	<u>£ 6,637,128</u>
At 31 December 1985	<u>£3,617,464</u>	<u>£2,830,283</u>	<u>£ 13,331</u>	<u>£ 6,461,078</u>

	Freehold land £	Freehold buildings £	Total £
Land and buildings represent:			
Valuation in 1978	400,000	650,000	1,050,000
Cost	<u>290,010</u>	<u>2,899,844</u>	<u>3,189,854</u>
	<u>£690,010</u>	<u>£3,549,844</u>	<u>£4,239,854</u>

Historical cost figures for land and buildings and the related depreciation are:

	1986 £	1985 £
Historical cost	3,391,885	3,367,762
Depreciation	<u>614,243</u>	<u>540,723</u>
Net book value	<u>£2,777,642</u>	<u>£2,827,039</u>

Included in plant and equipment is manufacturing plant valued in 1983 at £400,000. This is an item of leased plant which is in the process of being purchased. The purchase price is not expected to exceed £10,000.

UK CORRUGATED LIMITED

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NOTES TO THE ACCOUNTS
Year ended 31 December 1986

8. INVESTMENTS IN SUBSIDIARIES

	£
Balance at 1 January 1986	14,887,879
Additions in year	35,000
Disposals in year	<u>(32,500)</u>
Balance at 31 December 1986	£14,890,379

The balance at 31 December 1986 includes the cost of the following companies:-

Operating and registered in England:

UK Corrugated (Southern) Limited
UK Corrugated (North West) Limited
UK Corrugated (Sheet Sales) Limited
UK Corrugated (Preprint) Limited
Pakfast Limited

Operating and registered in Scotland:

UKC Lairds Limited
Scotpack Limited

Dormant and registered in England:

UK Corrugated (1983) Limited
UK Corrugated (1984) Limited
UK Corrugated (Properties) Limited
Smurfit Corrugated Holdings Limited

Consolidated accounts are not prepared as the company is the wholly-owned subsidiary of MacMillan Smurfit SCA Limited, registered in England, the ultimate holding company.

The company also owns:

- 1) 100% of the issued 'B' ordinary shares of Bourne Packaging Limited, a company registered in England. This holding represents 33% of the total equity of the company.
- 2) 92% of the issued 'B' ordinary shares of Technical Packaging Services Limited, a company registered in England. This holding represents 37% of the total equity of the company.

9. STOCKS

	1986 £	1985 £
Raw materials and consumables	1,660,892	1,644,935
Work in progress	168,961	276,998
Finished goods	554,844	422,022
Other	<u>131,440</u>	<u>102,923</u>
	£2,516,137	£2,446,878
	=====	=====

UK CORRUGATED LIMITED

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NOTES TO THE ACCOUNTS Year ended 31 December 1986

10. DEBTORS

	1986 £	1985 £
Due within one year:		
Trade debtors	7,367,372	7,742,418
Owed by group companies	2,063,723	926,183
Other debtors	185,120	233,474
Prepayments	<u>339,495</u>	<u>320,419</u>
	9,955,710	9,222,494
Due in more than one year:		
Owed by group companies	<u>31,829,990</u>	<u>22,409,363</u>
	<u>£41,785,700</u>	<u>£31,631,857</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1986 £	1985 £
Bank overdraft	2,057,595	1,856,861
Trade creditors	5,297,180	5,815,765
Owed to group companies	1,262,259	5,403,850
Other taxes and social security costs	968,006	1,403,433
Other creditors	38,375	50,829
Accruals	<u>1,328,618</u>	<u>727,981</u>
	<u>£10,952,000</u>	<u>£15,258,719</u>

12. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	1986 £	1985 £
Bank loan (unsecured)		
Within 1 to 2 years	863,000	-
Within 2 to 5 years	5,178,000	4,315,000
In 5 years or more by instalment		
Interest at 0.625% above LIBOR	<u>3,459,000</u>	<u>5,185,000</u>
	<u>9,500,000</u>	<u>9,500,000</u>
Loans from group companies		
Within 1 to 2 years	32,061,649	21,210,229
In 2 years or more by instalment	4,673,310	2,048,636
Interest free. Approximately £1,410,955 falls due for payment after 5 years.		
In 5 years or more other than by instalment	8,000,000	8,000,000
Interest at 1% above National Westminster Bank base rate.		
	<u>44,734,959</u>	<u>31,258,865</u>
	<u>£54,234,959</u>	<u>£40,758,865</u>

UK CORRUGATED LIMITED

 Touche Ross

NOTES TO THE ACCOUNTS
Year ended 31 December 1986

13. DEFERRED TAXATION

No provision for deferred taxation is required at 31 December 1986. Potential tax liabilities, which are not expected to crystallise in the future, exist in respect of:

	1986 £	1985 £
Accelerated capital allowances	633,200	821,800
Short term timing differences	(3,500)	-
Other timing differences	<u>(1,056,700)</u>	<u>(767,963)</u>
	£ (426,000)	£ 53,837
	*****	*****

Taxation liabilities totalling approximately £400,000 would arise on the disposal of land and buildings at their book values as these include revaluation increments in excess of their cost base for taxation purposes.

14. CALLED UP SHARE CAPITAL

	1986	1985
Authorised, allotted and fully paid:		
Ordinary shares of £1 each	£250,000	£250,000
	*****	*****

15. CONTINGENT LIABILITIES

The company, together with the other group companies, has guaranteed bank overdrafts and loans of the group which at 31 December 1985 totalled £13,591,000 (1985 £10,259,000).

16. LEASE COMMITMENTS

At 31 December 1986 the company was committed to making the following payments in respect of leases.

	1986 £	1985 £
Within one year	633,896	477,621
Within 2 to 5 years	1,535,496	1,436,165
After 5 years	<u>13,493</u>	<u>512,003</u>
	£2,182,885	£2,425,789
	*****	*****

UK CORRUGATED LIMITED

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NOTES TO THE ACCOUNTS
Year ended 31 December 1986

16. LEASE COMMITMENTS (continued)

At 31 December 1986 the group was also committed to making the following payments during the next year in respect of operating leases on land and building.

	£	£
Leases which expire		
Within 2 to 5 years	33,500	33,500
After 5 years	<u>95,500</u>	<u>95,500</u>
	£129,000	£129,000
	*****	*****

Certain group leasing commitments totalling £Nil have been guaranteed (1985 - £500,000).

17. CAPITAL COMMITMENTS

	1986	1985
Contracted for but not provided in the financial statements of which £Nil (1985 - £537,000) will be leased	£227,400	£587,000
	*****	*****
Authorised but not yet contracted for of which £Nil (1985 - £20,000) is anticipated to be leased	£600,000	£755,000
	*****	*****