

TBS ENGINEERING LIMITED

Report and Accounts

31 December 2000

 ERNST & YOUNG



TBS Engineering Limited

Registered No. 2455748

DIRECTORS

L E Gardiner
R T Hopwood
D J Longney
E Toombs
V F Empson

SECRETARY

V F Empson

AUDITORS

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

BANKERS

Lloyds Bank PLC
11-15 Monument Street
London
EC3V 9JA

Citibank London
336 Strand
London
WC2R 1HB

SOLICITORS

Allen & Overy
9 Cheapside
London
EC2V 6AD

REGISTERED OFFICE

4 Millbank
London
SW1P 3XR

TBS Engineering Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £6,338,562 (1999 - £3,268,774). The directors do not recommend a final dividend payment (1999 - £1,516,000), an interim dividend of £5,000,000 was paid during the year (1999 - £Nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is the design and manufacture of a range of special purpose equipment for the lead acid battery industry, used primarily in the manufacture and assembly of car and truck batteries. The directors are satisfied with company's performance for the year.

FUTURE DEVELOPMENTS AND RESEARCH AND DEVELOPMENT

The company continues to put considerable resource into the development of new machines which will contribute significantly to future sales and the long term future of the company.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2000 were as follows:

L E Gardiner
V F Empson
R T Hopwood
D J Longney
E Toombs

D East also served as a director until his resignation on 28 April 2000.

The directors of the company who held office at the end of the year were interested (as defined in the Companies Act 1985 and according to the Register maintained thereunder) in shares in Rexam PLC, the company's ultimate parent undertaking, as follows:

	<i>Share options</i>		<i>Share options</i>	
	<i>Senior Executive</i>		<i>SAYE</i>	
	<i>At</i>	<i>At</i>	<i>At</i>	<i>At</i>
	<i>1 January</i>	<i>31 December</i>	<i>1 January</i>	<i>31 December</i>
	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>
L E Gardiner	96,716	96,716	7,303	7,303
V F Empson	35,986	35,986	10,714	10,714
R T Hopwood	48,654	48,654	838	4,772
D J Longney	39,358	39,358	4,712	4,712
E Toombs	-	-	-	-

Further details of the rights attached to the share options can be found in the accounts of Rexam PLC.

SUPPLIER PAYMENT POLICY

With respect to the 2000 financial year it is the company's policy in respect of all suppliers:

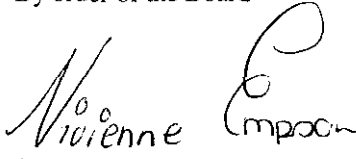
- to settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- to ensure that those suppliers are made aware of the terms of payment and
- to abide by the terms of payment.

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditors, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board


Vivienne Empson
Secretary

Date 1 OCTOBER 2001

TBS Engineering Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

This statement, which should be read together with the auditors report on page 5, 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 6 to 13. 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 which enables 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 shareholders of TBS Engineering Limited

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

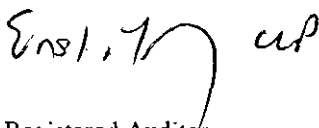
Basis of opinion

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 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Bristol

Date 5/10/01

TBS Engineering Limited

PROFIT AND LOSS ACCOUNT

for year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	15,504,465	10,584,652
Change in stocks of finished goods and work in progress		834,010	289,677
Raw materials and consumables		(5,634,029)	(3,183,835)
Staff costs	4	(3,195,026)	(2,519,940)
Depreciation	5	(101,045)	(135,461)
Other operating charges		(1,435,765)	(919,703)
OPERATING PROFIT	5	5,972,610	4,115,390
Bank interest receivable		49,652	50,278
Interest receivable from parent undertaking		316,300	216,006
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,338,562	4,381,674
Tax on profit on ordinary activities	6	-	(1,112,900)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,338,562	3,268,774
Dividends	14	(5,000,000)	(1,516,000)
PROFIT RETAINED FOR THE FINANCIAL YEAR	15	1,338,562	1,752,774

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2000

There were no recognised gains and losses during the years ended 31 December 2000 and 31 December 1999 other than reported in the profit and loss account.

TBS Engineering Limited

BALANCE SHEET at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	7	432,461	315,087
CURRENT ASSETS			
Stocks	8	2,545,690	1,711,680
Debtors	9	8,656,117	6,617,131
Cash at bank and in hand		150,471	585,942
		11,352,278	8,914,753
CREDITORS: amounts falling due within one year	10	(5,168,894)	(4,017,557)
NET CURRENT ASSETS		6,183,384	4,897,196
TOTAL ASSETS LESS CURRENT LIABILITIES		6,615,845	5,212,283
Provisions for liabilities and charges	11	(150,000)	(85,000)
		6,465,845	5,127,283
CAPITAL AND RESERVES			
Called up share capital	13	1,229,002	1,229,002
Share premium account	15	296,923	296,923
Profit and loss account	15	4,939,920	3,601,358
EQUITY SHAREHOLDERS' FUNDS		6,465,845	5,127,283



- Director

Date 1 OCTOBER 2001

NOTES TO THE ACCOUNTS

at 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cashflow Statement

There is no statement of cashflows as this company is a wholly owned subsidiary of Rexam PLC, the ultimate parent undertaking, which has published a consolidated statement of cashflows. This treatment is permitted by FRS1.

Depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful economic lives and is calculated using the straight line method at the following rates:

Plant and machinery	5% - 10%
Computers	20% - 33%
Motor vehicles	20% - 25%
Fixtures and fittings	10%

Short term leaseholds are written off over the term of each lease.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value, due allowance being made for obsolete or slow moving items. Cost includes an appropriate proportion of manufacturing wages and overheads.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, or, where appropriate at the rate of exchange of a related forward contract. All exchange differences are dealt with in the profit and loss account.

Research and development

Research and development expenditure is written off as incurred.

Product warranties

Provision is made for the estimated liability on all products still under warranty, including claims already received.

Deferred tax

Provision is made for deferred tax to the extent that it is considered probable that a liability will crystallise in the foreseeable future.

Pensions

The expected cost of providing pensions in respect of the defined benefit scheme is charged to the profit and loss account over the estimated service lives of employees in the scheme.

Leases

Rentals under operating leases are written off to the profit and loss account as incurred.

TBS Engineering Limited

NOTES TO THE ACCOUNTS at 31 December 2000

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the design and manufacture of special purpose equipment for the lead acid battery industry.

The analysis of turnover by geographical market is given below:

	2000 £	1999 £
United Kingdom	547,063	445,645
Overseas	14,957,402	10,139,007
	<u>15,504,465</u>	<u>10,584,652</u>

All sales are to customers outside the group and all originate in the UK.

3. DIRECTORS' EMOLUMENTS

	2000 £	1999 £
Emoluments (including pension contributions)	695,451	632,384

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director were £323,891 (1999 - £245,951).

Five directors qualify for defined benefit schemes and the accrued pension of the highest paid director as at 31 December 2000 were £43,532 (1999 - £37,714).

4. EMPLOYEES AND DIRECTORS

	2000 £	1999 £
Wages and salaries	2,833,321	2,209,698
Social security costs	285,322	219,272
Other pension costs	76,383	90,970
	<u>3,195,026</u>	<u>2,519,940</u>

The monthly average number of employees during the year was as follows:

	2000 No.	1999 No.
Staff	53	46
Operatives	50	42
	<u>103</u>	<u>88</u>

TBS Engineering Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

5. OPERATING PROFIT

Operating profit is stated after charging:

	2000	1999
	£	£
Operating lease rentals:		
- plant and machinery	7,825	4,041
- land and buildings	115,272	96,624
Auditors' remuneration	11,600	16,806
Depreciation	101,045	135,461

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£	£
UK corporation tax	-	1,329,000
Corporation tax underprovided in previous years	-	16,900
ACT to be surrendered to the company for no consideration	-	(219,000)
Deferred taxation	-	(14,000)
	-	1,112,900

The effective tax rate is lower than expected due to the availability of group relief. No provision for deferred taxation is required (1999 - £Nil).

7. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings tools and equipment £	Total £
Cost:				
At 1 January 2000	10,763	968,553	714,239	1,693,555
Additions	-	166,073	52,346	218,419
Disposals	-	-	(859)	(859)
At 31 December 2000	10,763	1,134,626	765,726	1,911,115
Depreciation:				
At 1 January 2000	10,763	773,565	594,140	1,378,468
Provided during the year	-	45,405	55,640	101,045
Disposals	-	-	(859)	(859)
At 31 December 2000	10,763	818,970	648,921	1,478,654
Net book value:				
At 31 December 2000	-	315,656	116,805	432,461
At 31 December 1999	-	194,988	120,099	315,087

There were capital commitments of £11,000 as at 31 December 2000 (1999 - £1,000).

TBS Engineering Limited

NOTES TO THE ACCOUNTS at 31 December 2000

8. STOCKS

	2000	1999
	£	£
Raw materials and consumables	1,670,235	1,053,168
Work in progress	875,455	658,512
	<u>2,545,690</u>	<u>1,711,680</u>

In the opinion of the directors the difference between cost and replacement cost is immaterial.

9. DEBTORS

	2000	1999
	£	£
Trade debtors	2,512,770	1,650,393
Amounts owed by group undertaking	5,984,076	4,899,641
Other debtors	72,599	37,901
Prepayments and accrued income	86,672	29,196
	<u>8,656,117</u>	<u>6,617,131</u>

10. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	350,921	-
Trade creditors	3,092,878	769,580
Amounts owed to group undertaking	1,106,000	1,106,000
Other taxes and social security	71,374	57,741
Accruals and deferred income	547,721	568,236
Proposed dividend	-	1,516,000
	<u>5,168,894</u>	<u>4,017,557</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Product warranty provisions</i>
	£
At 1 January 2000	85,000
Charged to the profit and loss account	65,000
At 31 December 2000	<u>150,000</u>

The product warranty costs are expected to be utilised within one year.

TBS Engineering Limited

NOTES TO THE ACCOUNTS at 31 December 2000

12. OTHER FINANCIAL COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other operating leases</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Leases expiring within:				
One year	-	96,624	-	1,012
Two to five years	103,000	-	4,951	-
Over five years	63,856	-	3,469	3,029
	<u>166,856</u>	<u>96,624</u>	<u>8,420</u>	<u>4,041</u>

13. SHARE CAPITAL

	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1999</i>
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Authorised:				
Ordinary shares of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	1,229,002	1,229,002	1,229,002	1,229,002

14. DIVIDENDS

	<i>2000</i>	<i>1999</i>
	<i>£</i>	<i>£</i>
Equity dividends on ordinary shares:		
Interim paid	5,000,000	-
Final proposed	-	1,516,000
	<u>5,000,000</u>	<u>1,516,000</u>

15. RESERVES

	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 2000	296,923	3,601,358	3,898,281
Retained profit for the year	-	1,338,562	1,338,562
At 31 December 2000	<u>296,923</u>	<u>4,939,920</u>	<u>5,236,843</u>

16. RECONCILIATION OF SHAREHOLDERS' FUNDS

Reconciliation of movements in shareholders' funds are as follows:

	<i>2000</i>	<i>1999</i>
	<i>£</i>	<i>£</i>
Opening shareholders' funds	5,127,283	3,374,509
Profit for the financial year	1,338,562	1,752,774
Closing shareholders' funds	<u>6,465,845</u>	<u>5,127,283</u>

NOTES TO THE ACCOUNTS

at 31 December 2000

17. PENSION COMMITMENT

The majority of employees belong to the Rexam Employee Benefit Plan (formerly the Bowater Employees Benefit Plan), a pension scheme of the defined benefit type. The charge in these accounts represents contributions paid to the scheme.

The charge does not take full account of the surplus disclosed in the scheme by the last actuarial valuation which was carried out during 2000 details of which are disclosed in the consolidated accounts of Rexam PLC. The prepayment arising in respect of the group as a whole under the scheme is also disclosed in those accounts.

18. CONTINGENT LIABILITIES AND CHARGES ON ASSETS

The company has contingent liabilities amounting to £376,000 (1999 - £10,000) in respect of various bonds and indemnities.

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given by FRS 8 to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

20. ULTIMATE PARENT UNDERTAKING

The directors regard Rexam PLC, as the ultimate parent undertaking. Copies of the consolidated accounts, which include the company, of Rexam PLC can be obtained from: The Secretary, Rexam PLC, 4 Millbank, London, SW1P 3XR.