

TBS Engineering Limited

Directors' Report and Accounts

31 December 1999



TBS Engineering Limited

Registered No. 2455748

DIRECTORS

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

SECRETARY

V F Empson

AUDITORS

Ernst & Young
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

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1999.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £3,268,774 (1998 - £5,485,327). The directors propose a final dividend of £1,516,000 to be paid on 12 April 2000, leaving £1,752,774 to be transferred to reserves (1998 - £8,533,673 from reserves).

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.

YEAR 2000

No adverse computer linked occurrences have been experienced as a result of the Year 2000 date change. While there remains a theoretical possibility that difficulties may arise, the Board considers the likelihood is remote.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1999 were as follows:

D East
L E Gardiner
V F Empson
R T Hopwood
D J Longney
E Toombs (appointed 19 October 1999)

R M Shakesheff acted as a director until his resignation on 14 October 1999.

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 parent undertaking, as follows:

| | Ordinary Shares of of 50p each | | Share options Senior Executive | | Share options SAYE | |
|--------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|---------------------------|-------------------------|
| | At 31 December 1999 | At 1 January 1999 | At 31 December 1999 | At 1 January 1999 | At 31 December 1999 | At 1 January 1999 |
| D East | - | - | 39,346 | 20,147 | 5,222 | 5,222 |
| L E Gardiner | - | - | 96,716 | 56,574 | 7,303 | 13,831 |
| V F Empson | - | - | 35,986 | 18,333 | 10,714 | 10,714 |
| R T Hopwood | - | 398 | 48,654 | 25,322 | 838 | 10,714 |
| D J Longney | - | - | 39,358 | 20,151 | 4,712 | 6,017 |

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

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

The interests of R M Shakesheff are disclosed in the accounts of Rexam PLC.

SUPPLIER PAYMENT POLICY

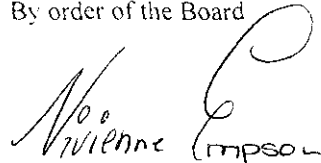
With respect to the 1999 financial year it is the company's policy in respect of all suppliers:

- 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.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Secretary

Date 21st JUNE 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

This statement, which should be read together with the auditors report on page 6, 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 7 to 14. 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 members of TBS Engineering Limited

We have audited the accounts on pages 7 to 14, which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 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.

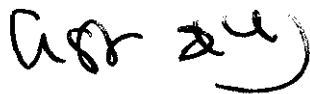
Basis of opinion

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 1999 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 **21 June 2000**

TBS Engineering Limited

PROFIT AND LOSS ACCOUNT

for year ended 31 December 1999

| | Notes | 1999 £ | 1998 £ |
|---|-------|-------------|--------------|
| TURNOVER | 2 | 10,584,652 | 12,619,237 |
| Change in stocks of finished goods and work in progress | | 289,677 | (133,448) |
| Raw materials and consumables | | (3,183,835) | (3,503,119) |
| Staff costs | 4 | (2,519,940) | (2,524,559) |
| Depreciation | 5 | (135,461) | (134,937) |
| Other operating charges | | (919,703) | (1,163,101) |
| OPERATING PROFIT | 5 | 4,115,390 | 5,160,073 |
| Bank interest receivable | | 50,278 | 71,652 |
| Interest receivable from parent undertaking | | 216,006 | 934,602 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 4,381,674 | 6,166,327 |
| Tax on profit on ordinary activities | 6 | (1,112,900) | (681,000) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 3,268,674 | 5,485,327 |
| Dividends | 14 | (1,516,000) | (14,019,000) |
| PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR | 15 | 1,752,774 | (8,533,673) |

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1999

There were no recognised gains and losses during the years ended 31 December 1999 and 31 December 1998 other than reported in the profit and loss account.

TBS Engineering Limited

BALANCE SHEET at 31 December 1999

| | Notes | 1999 £ | 1998 £ |
|---|-------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 315,087 | 403,220 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 1,711,680 | 1,449,510 |
| Debtors | 9 | 6,617,131 | 6,267,029 |
| Cash at bank and in hand | | 585,942 | 709,994 |
| | | 8,914,753 | 8,426,533 |
| CREDITORS: amounts falling due within one year | 10 | (4,017,557) | (5,341,244) |
| NET CURRENT ASSETS | | 4,897,196 | 3,085,289 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,212,283 | 3,488,509 |
| Provisions for liabilities and charges | 11 | (85,000) | (114,000) |
| | | 5,127,283 | 3,374,509 |
| 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 | 3,601,358 | 1,848,584 |
| EQUITY SHAREHOLDERS' FUNDS | | 5,127,283 | 3,374,509 |



- Director

Date

21st June 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.

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.

NOTES TO THE ACCOUNTS
at 31 December 19992. **TURNOVER** (continued)

The analysis of turnover by geographical market is given below:

| | 1999 £ | 1998 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 445,645 | 679,417 |
| Overseas | 10,139,007 | 11,939,820 |
| | <u>10,584,652</u> | <u>12,619,237</u> |

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

3. **DIRECTORS' EMOLUMENTS**

| | 1999 £ | 1998 £ |
|--|----------------|----------------|
| Emoluments (including pension contributions) | <u>632,384</u> | <u>707,288</u> |

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director were £245,951 (1998 - £286,751).

Five directors qualify for defined benefit schemes and the accrued pension of the highest paid director as at 31 December 1999 was £37,714 (1998 - £34,683).

EMPLOYEES AND DIRECTORS

| | 1999 £ | 1998 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,209,698 | 2,236,341 |
| Social security costs | 219,272 | 214,006 |
| Other pension costs | 90,970 | 74,212 |
| | <u>2,519,940</u> | <u>2,524,559</u> |

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

| | 1999 No. | 1998 No. |
|------------|-------------|-------------|
| Staff | 46 | 43 |
| Operatives | 42 | 43 |
| | <u>88</u> | <u>86</u> |

5. **OPERATING PROFIT**

Operating profit is stated after charging:

| | 1999 £ | 1998 £ |
|--------------------------|----------------|----------------|
| Operating lease rentals: | | |
| - plant and machinery | 4,041 | 5,475 |
| - land and buildings | 96,624 | 96,624 |
| Auditors' remuneration | 16,806 | 13,875 |
| Depreciation | <u>135,461</u> | <u>134,937</u> |

NOTES TO THE ACCOUNTS

at 31 December 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1999 £ | 1998 £ |
|---|------------------|----------------|
| UK corporation tax | 1,329,000 | 1,936,000 |
| Adjustment in respect of prior years | 16,900 | - |
| ACT to be surrendered to the company for no consideration | (219,000) | (1,246,000) |
| Deferred taxation | (14,000) | (9,000) |
| | <u>1,112,900</u> | <u>681,000</u> |

Deferred taxation

The total potential amount of deferred taxation for all timing differences is as follows:

| | 1999 £ | Provided 1998 £ |
|---------------------------|-----------|-----------------------|
| Excess capital allowances | - | 14,000 |

7. TANGIBLE FIXED ASSETS

| | <i>Short leasehold land and buildings</i> £ | <i>Plant and machinery</i> £ | <i>Fixtures, fittings tools and equipment</i> £ | <i>Total</i> £ |
|--------------------------|--|-------------------------------------|--|-------------------|
| Cost: | | | | |
| At 1 January 1999 | 10,763 | 966,853 | 760,426 | 1,738,042 |
| Additions | - | 1,700 | 45,628 | 47,328 |
| Disposals | - | - | (91,815) | (91,815) |
| At 31 December 1999 | <u>10,763</u> | <u>968,553</u> | <u>714,239</u> | <u>1,693,555</u> |
| Depreciation: | | | | |
| At 1 January 1999 | 9,685 | 723,759 | 601,378 | 1,334,822 |
| Provided during the year | 1,078 | 49,806 | 84,577 | 135,461 |
| Disposals | - | - | (91,815) | (91,815) |
| At 31 December 1999 | <u>10,763</u> | <u>773,565</u> | <u>594,140</u> | <u>1,378,468</u> |
| Net book value: | | | | |
| At 31 December 1999 | <u>-</u> | <u>194,988</u> | <u>120,099</u> | <u>315,087</u> |
| At 31 December 1998 | <u>1,078</u> | <u>243,094</u> | <u>159,048</u> | <u>403,220</u> |

There were capital commitments of £1,000 as at 31 December 1999 (1998 - £43,000).

NOTES TO THE ACCOUNTS
at 31 December 1999

8. STOCKS

| | 1999 £ | 1998 £ |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 1,053,168 | 1,080,675 |
| Work in progress | 658,512 | 368,835 |
| | <u>1,711,680</u> | <u>1,449,510</u> |

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

9. DEBTORS

| | 1999 £ | 1998 £ |
|-----------------------------------|------------------|------------------|
| Trade debtors | 1,650,393 | 2,038,613 |
| Amounts owed by group undertaking | 4,899,641 | 4,106,593 |
| Other debtors | 37,901 | 70,705 |
| Prepayments and accrued income | 29,196 | 51,118 |
| | <u>6,617,131</u> | <u>6,267,029</u> |

10. CREDITORS: amounts falling due within one year

| | 1999 £ | 1998 £ |
|---------------------------------|------------------|------------------|
| Trade creditors | 769,580 | 941,464 |
| Corporation tax | 1,106,000 | 693,000 |
| Other taxes and social security | 57,741 | 52,304 |
| Accruals and deferred income | 568,236 | 635,476 |
| Proposed dividend | 1,516,000 | 3,019,000 |
| | <u>4,017,557</u> | <u>5,341,244</u> |

11. PROVISIONS FOR LIABILITIES AND CHARGES

| | Product warranty provisions £ | Deferred taxation £ | Total £ |
|---|--|---------------------------|---------------|
| At 1 January 1999 | 100,000 | 14,000 | 114,000 |
| Credited to the profit and loss account | (15,000) | (14,000) | (29,000) |
| At 31 December 1999 | <u>85,000</u> | <u>-</u> | <u>85,000</u> |

NOTES TO THE ACCOUNTS

at 31 December 1999

12. OTHER FINANCIAL COMMITMENTS

At 31 December 1999 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>1999</i> | <i>1998</i> | <i>1999</i> | <i>1998</i> |
| | £ | £ | £ | £ |
| Leases expiring: | | | | |
| Under one year | - | - | 1,012 | - |
| One to five years | 96,624 | 96,624 | - | - |
| Over five years | - | - | 3,029 | - |
| | <u>96,624</u> | <u>96,624</u> | <u>4,041</u> | <u>-</u> |

13. SHARE CAPITAL

| | <i>1999</i> | <i>1999</i> | <i>1998</i> | <i>1998</i> |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | <i>No.</i> | £ | <i>No.</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 | <u>1,229,002</u> | <u>1,229,002</u> | <u>1,229,002</u> | <u>1,229,002</u> |

14. DIVIDENDS

| | <i>1999</i> | <i>1998</i> |
|--------------------------------------|------------------|-------------------|
| | £ | £ |
| Equity dividends on ordinary shares: | | |
| Interim paid | - | 11,000,000 |
| Final proposed | 1,516,000 | 3,019,000 |
| | <u>1,516,000</u> | <u>14,019,000</u> |

15. RESERVES

| | <i>Share premium account</i> | <i>Profit and loss account</i> | <i>Total</i> |
|------------------------------|------------------------------|--------------------------------|------------------|
| | £ | £ | £ |
| At 1 January 1999 | 296,923 | 1,848,584 | 2,145,507 |
| Retained profit for the year | - | 1,752,774 | 1,752,774 |
| At 31 December 1999 | <u>296,923</u> | <u>3,601,358</u> | <u>3,898,281</u> |

NOTES TO THE ACCOUNTS
at 31 December 1999

16. RECONCILIATION OF SHAREHOLDERS' FUNDS

Reconciliation of movements in shareholders' funds are as follows:

| | 1999 £ | 1998 £ |
|--------------------------------------|-----------|-------------|
| Opening shareholders' funds | 3,374,509 | 11,908,182 |
| Profit/(loss) for the financial year | 1,752,774 | (8,533,673) |
| Closing shareholders' funds | 5,127,283 | 3,374,509 |

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 as at 6th April 1997 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 £10,000 (1998 - £47,308) 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.