

2433748 -

TBS Engineering Limited

Directors' Report and Accounts

31 December 1995

ERNS & YOUNG



TBS Engineering Limited

Registered No. 2455748

DIRECTORS

L E Gardiner
R M Shakesheff

R T Hopwood
D East

D J Longney
V F Hinde

SECRETARY

V F Hinde

AUDITORS

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

BANKERS

Barclays Bank PLC
Corn Street
Bristol
BS99 7AJ

SOLICITORS

Allen & Overy
9 Cheapside
London
EC2V 6AD

REGISTERED OFFICE

114 Knightsbridge
London
SW1X 7NN

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £6,496,559 (1994 - £5,566,411). The directors paid an interim dividend of £955,000 in respect of the year ending 31 December 1995 and propose a final dividend of £5,542,000 to be paid on 28 March 1996, leaving £441 to be transferred from reserves (1994 - £566,411 to reserves).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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.

NAME CHANGE

The name of the Company's ultimate parent undertaking was changed from Bowater plc to Rexam PLC on 1 June 1995.

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.

FIXED ASSETS

Details of tangible fixed assets are set out in note 7. All movements in fixed assets were in the ordinary course of business.

DIRECTORS AND THEIR INTERESTS

The directors of the company and those who served during the year are:

L E Gardiner	
R T Hopwood	Appointed 24 April 1995
D East	Appointed 24 April 1995
D J Longney	Appointed 24 April 1995
V F Hinde	Appointed 24 April 1995
M J Fallen	Resigned 17 March 1995
R M Shakesheff	

DIRECTORS' REPORT

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 as follows:

	Ordinary Shares of of 50p each		Rexam PLC Share Options			
			Senior Executive		SAYE	
	1/1/95	31/12/95	1/1/95	31/12/95	1/1/95	31/12/95
L E Gardiner	-	-	35,400	35,400	6,528	6,528
R T Hopwood	239	-	13,000	13,000	5,004	5,004
D East	-	-	10,000	10,000	5,222	5,222
D J Longney	-	-	10,000	10,000	1,305	3,533
V F Hinde	-	-	9,000	9,000	2,073	3,058

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.

On behalf of the Board

Vivienne Hinde
Secretary

Date

25TH March 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

This statement, which should be read together with the auditors report overleaf, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements 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 financial statements on pages 7 to 15. 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 financial statements 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 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

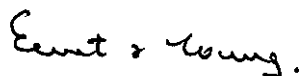
Basis of opinion

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 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Bristol

Date 26 March 1996

TBS Engineering Limited

PROFIT AND LOSS ACCOUNT

year ended 31 December 1995

	Notes	1995 £	1994 £
TURNOVER	1, 2	14,710,827	13,207,944
Change in stocks of finished goods and work in progress		289,153	(175,188)
Raw materials and consumables		(4,326,291)	(3,533,281)
Staff costs	4	(2,492,324)	(2,238,402)
Depreciation		(131,904)	(103,263)
Other operating charges		(1,309,360)	(1,323,310)
OPERATING PROFIT	5	6,740,101	5,834,500
External interest receivable		73,438	54,771
Interest receivable from parent undertaking		712,445	451,978
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,525,984	6,341,249
Tax on profit on ordinary activities	6	(1,029,425)	(774,838)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,496,559	5,566,411
Dividends	14	(6,497,000)	(5,000,000)
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR	15	(441)	566,411

STATEMENT OF RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses during the years ended 31 December 1995 and 31 December 1994 other than reported in the profit and loss account.

TBS Engineering Limited

BALANCE SHEET

at 31 December 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	7	603,972	380,388
CURRENT ASSETS			
Stocks	8	1,386,297	931,931
Debtors	9	14,725,569	14,358,613
Cash at bank and in hand		1,139,553	861,698
		17,251,419	16,152,424
CREDITORS: amounts falling due within one year	10	(9,733,847)	(8,415,645)
NET CURRENT ASSETS		7,517,572	7,736,597
TOTAL ASSETS LESS CURRENT LIABILITIES		8,121,544	8,116,985
Provisions for liabilities and charges	11	(69,000)	(64,000)
		8,052,544	8,052,985
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	6,526,619	6,527,060
		8,052,544	8,052,985



}
} Directors
}

Date

25th MARCH 1996

NOTES TO THE ACCOUNTS

at 31 December 1995

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents amounts derived from the provision of goods and services falling within the company's ordinary activities, excluding trade discounts and Value Added Tax.

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, except freehold land, over their estimated useful economic lives and is calculated using the straight line method at the following rates:

Freehold buildings	2%	Plant and equipment	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.

NOTES TO THE ACCOUNTS

at 31 December 1995

1. ACCOUNTING POLICIES (continued)

Leases

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

2. TURNOVER

	1995	1994
	£	£
The analysis of turnover by destination is as follows:		
United Kingdom	1,896,576	1,168,707
Overseas	12,814,251	12,039,237
	<u>14,710,827</u>	<u>13,207,944</u>

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

3. DIRECTORS' EMOLUMENTS

	1995	1994
	£	£
Fees (including the Chairman)	-	-
Other Emoluments (including pension contributions)	800,098	301,289
	<u>800,098</u>	<u>301,289</u>

The emoluments, excluding pension contributions of the chairman, who was also the highest paid director were £338,757 (1994 - £287,508).

Directors emoluments, excluding pension contributions, fell within the following ranges:

	1995	1994
£ nil to £ 5,000	2	2
£ 95,001 to £100,000	1	-
£100,001 to £105,000	1	-
£105,001 to £110,000	1	-
£120,001 to £125,000	1	-
£285,001 to £290,000	-	1
£335,001 to £340,000	1	-

TBS Engineering Limited

NOTES TO THE ACCOUNTS at 31 December 1995

4. EMPLOYEES AND DIRECTORS

	1995	1994
	£	£
Staff costs:		
Wages and salaries	2,214,750	1,982,736
Social security costs	203,558	183,361
Other pension costs	74,016	72,306
	<u>2,492,324</u>	<u>2,238,403</u>
	No.	No.
Average numbers employed:		
Staff	45	43
Operatives	46	42
	<u>91</u>	<u>85</u>

5. OPERATING PROFIT

	1995	1994
	£	£
Operating profit is stated after charging:		
Hire of plant and machinery	2,117	938
Other operating lease rentals	96,624	96,624
Auditors' remuneration	12,950	12,650
Depreciation	<u>131,904</u>	<u>103,263</u>

NOTES TO THE ACCOUNTS

at 31 December 1995

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	1994 £
Taxation on profit on ordinary activities based on the profit for the year at 33% (1994 - 33%)	2,489,000	2,124,000
Adjustment in respect of prior years	(4,575)	(25,162)
ACT to be surrendered to the company for no consideration	(1,508,000)	(1,324,000)
Deferred taxation	53,000	-
	<u>1,029,425</u>	<u>774,838</u>

Deferred taxation

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

	Provided 1995 £	Not provided 1994 £
Excess capital allowances	48,000	40,000
Other timing differences	5,000	5,000
	<u>53,000</u>	<u>45,000</u>

7. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Plant & machinery £	Fixtures, fittings tools & equipment £	Total £
Cost:				
At 1 January 1995	10,763	654,106	530,286	1,195,155
Additions	-	265,813	98,275	364,088
Disposals	-	-	(34,400)	(34,400)
At 31 December 1995	<u>10,763</u>	<u>919,919</u>	<u>594,161</u>	<u>1,524,843</u>
Accumulated depreciation:				
At 1 January 1995	5,381	509,606	299,780	814,767
Provision for the year	1,076	49,035	81,793	131,904
Disposals	-	-	(25,800)	(25,800)
At 31 December 1995	<u>6,457</u>	<u>558,641</u>	<u>355,773</u>	<u>920,871</u>
Net book value:				
31 December 1995	<u>4,306</u>	<u>361,278</u>	<u>238,388</u>	<u>603,972</u>
31 December 1994	<u>5,382</u>	<u>144,500</u>	<u>230,506</u>	<u>380,388</u>

There were capital commitments of £ 22,000 as at 31 December 1995 (1994 - £6,000).

TBS Engineering Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

8. STOCKS

	1995	1994
	£	£
Raw materials and consumables	898,332	733,119
Work in progress	487,965	198,812
	<u>1,386,297</u>	<u>931,931</u>

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

9. DEBTORS

	1995	1994
	£	£
Trade debtors	2,624,675	1,817,526
Current account balances with group undertakings	12,008,461	11,094,730
Other debtors	25,859	69,478
Prepayments and accrued income	66,574	52,879
ACT recoverable	-	1,324,000
	<u>14,725,569</u>	<u>14,358,613</u>

10. CREDITORS: amounts falling due within one year

	1995	1994
	£	£
Trade creditors	2,366,002	1,357,544
Corporation tax	981,000	2,124,000
Deferred taxation	53,000	-
Taxation and social security	48,740	39,022
Accruals and deferred income	743,105	637,079
Proposed dividend	5,542,000	4,258,000
	<u>9,733,847</u>	<u>8,415,645</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Product warranty provisions £
At 1 January 1995	64,000
Utilised	(52,000)
Charge to profit and loss account	57,000
At 31 December 1995	<u>69,000</u>

NOTES TO THE ACCOUNTS

at 31 December 1995

12. LEASE OBLIGATIONS

The company has the following commitments to make payments in the next year under operating leases:

	<i>Land and buildings £</i>	<i>Other operating leases £</i>
Leases expiring:		
Under one year		
In the second to fifth year inclusive		
In more than five years	96,624	2,117
	<u>96,624</u>	<u>2,117</u>

13. CALLED UP SHARE CAPITAL

	<i>No.</i>	<i>1995 £</i>	<i>No.</i>	<i>1994 £</i>
Authorised:				
Ordinary shares of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
Allotted, issued and fully paid:				
Ordinary shares of £1 each	1,229,002	1,229,002	1,229,002	1,229,002

14. DIVIDENDS

	<i>1995 £</i>	<i>1994 £</i>
Interim paid	955,000	742,000
Final proposed	5,542,000	4,528,000
	<u>6,497,000</u>	<u>5,000,000</u>

15. RESERVES

	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 1995	296,923	6,527,060	6,823,983
Retained loss for the year	-	(441)	(441)
At 31 December 1995	<u>296,923</u>	<u>6,526,619</u>	<u>6,823,542</u>

NOTES TO THE ACCOUNTS

at 31 December 1995

16. SHAREHOLDERS' FUNDS

Reconciliation of movements in shareholders' funds are as follows:

	1995	1994
	£	£
Opening shareholders' funds	8,052,985	7,486,574
Profit for the financial year	(441)	566,411
Closing shareholders' funds	<u>8,052,544</u>	<u>8,052,985</u>

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 1994 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 £813,689 (1994 - £509,454) in respect of various bonds and indemnities.

19. ULTIMATE PARENT COMPANY

The directors regard Rexam PLC, a company registered in England & Wales, as the ultimate parent company. Copies of the consolidated accounts of Rexam PLC can be obtained from: The Secretary, Rexam PLC, 114 Knightsbridge, London, SW1X 7NN.