Encouraging performance underpinned by Beverage Cans volume and profit growth

Rexam, the global consumer packaging company, announces its results for the year ended 31 December 2012.

Continuing operations underlying performance[1]

	2012	2011	Change
Sales (£m)	**4,312**	4,232	2%
Underlying profit before tax (£m)[1]	**418**	414	1%
Underlying earnings per share (pence)[1]	**35.5**	33.9	5%
Dividend per share (pence)	**15.2**	14.4	6%

Highlights

- Beverage Cans volumes up 6% and organic[2] operating profit[1] up 5% to £456m
- Healthcare operating profit[1] down from £65m to £48m
- Completion of Personal Care disposal and £395m being returned to shareholders
- Return on capital employed (ROCE) of 14.7%, on track for 15% in 2013
- Total dividend 15.2p up 6%

Commenting, Graham Chipchase, Rexam's chief executive, said:

"In 2012, we made further encouraging progress. Beverage Cans traded well driven by the global growth in specialty cans and a strong recovery in our market share in the US. We saw good growth in all our regions with volumes up 6% and organic operating profit increasing by 5%. We are continuing to invest in new lines and capacity to support our future growth. However, as previously highlighted, Healthcare had a difficult year largely due to one of our customer's products coming off patent.

Following the sale of the Personal Care business, £395m is being returned to shareholders, and we have raised the total dividend for the year by 6%.

We expect to make further progress in 2013 despite an uncertain macroeconomic environment and continued cost pressures. Further contractual gains in North America and continued growth in our European and South American beverage can businesses give us confidence we will achieve our 15% ROCE target."

Statutory results[3]

	2012	2011
Sales (£m)[4]	**4,312**	4,232
Profit before tax (£m)[4]	**354**	402
Total profit for the year (£m)	**214**	376
Total basic earnings per share (pence)	**24.6**	43.1

1 Underlying business performance from continuing operations (excluding Personal Care and Closures) before exceptional items, the amortisation of certain acquired intangible assets and fair value changes on certain operating derivatives and on financing derivatives.

2 Organic change is at constant currency.

3 Statutory results include exceptional items, the amortisation of certain acquired intangible assets and fair value changes on certain operating derivatives and on financing derivatives.

4 Continuing operations.

20 February 2013

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Live webcast

A presentation for analysts and investors will be held today at 09:00 UK time at the Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ. Subject to certain restrictions, the presentation will be webcast live on www.rexam.com at the above time and subsequently will be available on demand.

A dial in conference call will be held today at 14.30 UK time. For callers in the US, please dial +1 480 629 9835 or +1 877 941 0844. The dial in number in the UK is +44 20 8515 2301 or 0800 358 5271. The dial in number and access code to the replay is + 1 303 590 3030, access code: 4590539#.

A copy of this press release has been posted on the Rexam website, www.rexam.com.

This press release contains statements which are not based on current or historical fact and which are forward looking in nature. These forward looking statements reflect knowledge and information available at the date of preparation of this press release and the Company undertakes no obligation to update these forward looking statements. Such forward looking statements are subject to known and unknown risks and uncertainties facing the Group including, without limitation, those risks described in this press release, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this press release should be construed as a profit forecast.

Editor's notes:

Rexam is a global consumer packaging company. We are one of the leading global beverage can makers and a major global player in rigid plastic packaging for healthcare applications. We are business partners to some of the world's most famous and successful consumer brands. Our vision is to be the best global consumer packaging company.

We have 67 plants in 24 countries and employ 11,100 people. Our sales from ongoing operations in 2012 were in the region of £4.3 billion. Rexam is a member of the FTSE 100 and its ordinary shares are listed with the UK Listing Authority and trade on the London Stock Exchange under the symbol REX. For further information, visit www.rexam.com.

CHAIRMAN'S STATEMENT

This has been my first year as Rexam's chairman – and it has been an inspiring one. In my visits to our plants and businesses around the world, it is obvious that manufacturing excellence lies at the very heart of this company. I have been impressed by the efficiency of our plants and particularly struck by the skill, commitment and enthusiasm of our people.

In my first month I was in touch with each of our largest shareholders to learn about and gauge their views of Rexam. I also had the opportunity to talk to many more at our AGM in May. There was a clear consistency about what sort of company you expect Rexam to be: a results focused business that can be relied upon to deliver on its commitments – both short and long term.

I am pleased to report that, in less than ideal market conditions, 2012 was a year of progress on many fronts and our results demonstrate the underlying resilience of the business. This is reflected in the improvement to our ROCE and the value we have created for our shareholders with our total shareholder return in 2012 significantly ahead of the average for the FTSE 100. Our focus on cash and continued discipline in our capital spend helped us maintain a strong balance sheet, and during the year, we refinanced some of our bonds in the US private placement market at better rates than previously and, as a result, will reduce our financing costs.

In December 2012, we completed successfully the sale of our Personal Care business. As promised, we are returning £395m of the proceeds to shareholders by way of a B share scheme, together with a share consolidation.

Strategy

With the sale of the Personal Care business, and the Healthcare business now being managed separately, our strategy has beverage cans at its very core. It continues to be based on operational excellence, deeper customer relationships, expansion in emerging markets, innovation in processes and products as well as a commitment to a sustainable future and to building a winning organisation.

During the year, we continued to drive cost efficiencies and generate cash. We will use this cash to fund disciplined investment in the business for longer term growth, pay dividends and – when the balance sheet allows – we will consider additional returns to shareholders.

Although Rexam is a results focused organisation, we attach great importance to the way we do business. We have an integrated approach to the performance of our people, including setting financial and non financial objectives for management.

Corporate responsibility

The sustainability agenda requires greater transparency around our environmental and social impacts. The publication of our separate Sustainability Report 2012 is further evidence of our commitment in this area and serves as an internal and external benchmark to monitor progress.

Rexam's success is built on the hard work and commitment of our people and their safety has been – and will continue to be – of paramount importance. Our safety record, measured in the lost time accident rate (LTAR), again improved year on year and in November and December there were no LTAs at any of our plants, a first for Rexam. Over the last three years there has been a more than 50% reduction in LTAR which is testament to the concerted effort to build further our people's engagement around safety. Although we met our 10% LTAR reduction target in 2012, the year's performance was regretfully overshadowed by a fatality in July at our Personal Care plant in Excelsior Springs, US. As you would expect after such a tragedy, we have put in place corrective actions and improvements to strengthen further our safety focus and ensure the continued wellbeing of all our employees.

The board

We remain committed to maintaining high standards of corporate governance in a constantly evolving regulatory and governance environment. This year's board evaluation review was especially valuable in helping me identify where we can improve the board's effectiveness. I also completed performance reviews of each director and I was, in turn, provided with feedback by our senior independent director on my own performance.

There were three changes to the board during the year. In May, we were pleased to welcome Johanna Waterous as senior independent director. Johanna is a former director of McKinsey, the global management consulting firm, and a leading European expert in retail and customer relationship management. Her experience of the global retail world – and as a FTSE 100 non executive director – is a great asset to the board and the company.

In the latter half of 2012, Wolfgang Meusburger and Noreen Doyle announced their retirement after six years on the board. I would like to record my thanks and appreciation for their contributions to our deliberations during their time with us and wish them both well for the future.

Summary

In the current challenging business environment, Rexam continues to take the actions the board believes necessary to remain competitive and deliver value for shareholders. We will keep the strategy under review and remain flexible to adapt where it is in the interests of shareholders to do so.

We have a strong leadership team that clearly delivers on its commitments. We also have thousands of people who go the extra mile every day to manufacture quality products and provide the highest levels of service for our customers. I would like to take this opportunity to thank all our employees for their efforts in 2012.

The economic environment in most of our markets remains tough. However, through the disciplined application of our strategy, we see opportunities for profitable growth. I am therefore confident that Rexam can – and will – go from strength to strength for the benefit of all our stakeholders.

Stuart Chambers, Chairman, 20 February 2013

CHIEF EXECUTIVE'S REVIEW

During 2012, we continued the journey towards our 15% ROCE target in 2013.

I am pleased to report that we are well on track to achieve that target. Our focus on optimising cash, controlling costs and concentrating on return on capital (the three Cs) is creating value – and will continue to do so going forward.

In 2012, we made further encouraging progress. You will find the details of the operating and financial results on pages 9 to 38. In summary, we delivered organic sales growth above GDP following good volume growth in our beverage can business and organic underlying operating profit from continuing operations improved 1% despite tough economic conditions in many of our markets. We are pleased to have completed the sale of the Personal Care business and to be returning £395m of the proceeds to shareholders. Overall, our 2012 performance is a reflection of the breadth of expertise and unyielding commitment of the leadership team and our people.

Gross capital expenditure at £259m was somewhat higher than last year and at 1.6 times was just outside our stated 1.0–1.5 times depreciation range as we accelerated some investments to ensure that we are in a position to capture future market growth. We continue to keep a close watch on capital discipline, trading conditions and on achieving our return on capital target.

In Europe, where our assets are close to full utilisation, we invested in a new beverage can plant in Finland and a new line in Austria. The plant in Finland started production as planned in the first quarter of 2013. In time, it will increase our capacity by 1.4bn standard cans. The new plant will help to meet growth in the region and free up capacity in other plants in Europe. The additional can line in Ludesch in Austria will increase specialty can capacity by 0.7bn cans a year and enable us to continue to support growth in energy drinks for export. We converted a line in Chicago to specialty cans, allowing us to meet growth in this segment in North America. A new line for aluminium cans was opened in Mumbai, India, at the end of the year, and the plant in Belém in Brazil is due to come on stream in the first quarter 2013 in time for a number of major sporting events such as the FIFA World Cup and the Olympics.

We are now building a new wall to wall beverage can making plant in Widnau, Switzerland, to support the global growth of energy drinks. It represents an investment of some £115m. The plant will make various sizes of both Slim and Sleek cans and will eventually have a capacity of 2.2bn cans. Initially, the site will operate two lines, with the first line coming on stream at the start of 2015.

We have also invested in our Healthcare business. We extended the Bangalore plant in India to meet growing demand, and expanded one of our plants in France to accommodate increased volumes of insulin pens for global customers.

Free cash flow from continuing operations before dividends was strong, although down on last year at £219m (2011: £274m) mainly due to the higher level of investment.

We achieved another year of good cost savings. In the past we have targeted around £30m of savings per year and have consistently delivered on this. Following the sale of Personal Care, which as a business contributed some £8m of efficiencies in 2011, we have revised our target to £25m per year. The £26m achieved in 2012 from continuing operations came from three main areas: reduction in material usage, especially aluminium and process optimisation through the deeply embedded tools and methodologies of lean manufacturing and six sigma to improve productivity and reduce scrap; and the centralisation of our procurement organisation which will help ensure that we capitalise fully on our global footprint and manage our metal, other direct material costs and capital equipment expenditure more efficiently going forward.

Return on capital employed improved to 14.7% (2011: 13.7%) partly attributable to the successful sale of our Personal Care business as well as continued tight capital management.

Our net debt at 31 December 2012, was £0.8bn; down on last year due to good cash flow and the proceeds of the sale of Personal Care. We succeeded in refinancing our 2013 debt maturities with US$750m of senior notes in the US private placement market due in 2022 and 2024. As a result, our effective interest cost will be around 4% from the second half of 2013. Our credit rating is investment grade with stable outlook with both Moody's and Standard & Poor's.

Improving our returns

In addition to the three Cs of cash, cost and capital, we have consistently highlighted a number of levers that would help us attain our stated ROCE target: asset utilisation, innovation, growth in emerging markets and management of our portfolio.

Asset utilisation

Our asset utilisation in 2012 improved in all our regions. It is now in the mid nineties in Europe as a result of higher volumes. In North America, as expected, we benefited from the recovery of about one third of the volumes lost in 2011 and utilisation is now in the mid eighties. This is expected to increase further in 2013 as we recover the remaining two thirds of the volumes lost. The conversion of one of our 12oz lines in Chicago to 16oz SLEEK™ cans will also increase overall utilisation rates. As market growth resumed in South America, our utilisation rate also improved to the low nineties.

Innovation

Innovation in products and processes is an important driver of value for our customers and us. In 2012 we restructured our beverage can innovation organisation, appointing a Director of Technology to coordinate our global innovations programme and the development of supporting technology platforms for products and manufacturing.

During the year, we invested in 24oz can capacity in Brazil to break into a market segment that is currently dominated by large returnable glass bottles that cater for the popular drink sharing culture in bars. We also unveiled a new shaped version of the Fusion™ aluminium bottle called Contour™ which will give customers further opportunity to attract new target audiences and differentiate their brands.

Process innovation is also important to ensure that we extract the maximum value from our assets. During the year, among other things, in beverage cans we have focussed on increasing capacity with minimal capital expenditure without affecting quality and/or safety. Using lean tools, six sigma and global best practice sharing, we have managed to increase line speeds at a number of plants which has resulted in lower investment or the postponement of further expenditure to a later date.

In Healthcare, our needle stick prevention device, Safe'n'Sound®, gained commercial traction. The device helps protect medical staff and patients from blood borne diseases such as HIV and hepatitis. The continuing development of injectable drugs leads us to expect strong growth in this area.

Our preservative free technology for multidose eye droppers, Novelia®, attracted major interest from the industry. The convenient cost effective solution for preservative free eye drops aids patient compliance.

We industrialised our next generation nasal spray, Advancia®, to strengthen our market position in a segment expected to show strong growth in the next five years.

In our Prescription business, we are on the point of launching a new cost effective, light weight cap with premium features to reinforce our leadership in child resistant closures.

Emerging markets
Almost 34% (2011 restated: 33%) of our sales now come from emerging markets and we have leading market positions in beverage cans in three out of the four BRIC countries. We remain watchful of trading conditions in these markets and committed to achieving our returns target in 2013. This was demonstrated by the deferral of the opening of the Belém plant in Brazil until early 2013 due to the change in the market growth rate, as well as the divestment of our Chinese beverage can making plant which operated in a highly fragmented market.

In Beverage Cans, we continued to evaluate new opportunities to build or expand our positions in a range of emerging markets, leveraging our relationships with existing customers or establishing new ones. Our focus is on opportunities for greenfield investment as well as bolt on acquisitions or joint venture arrangements. Many markets are still emerging and others relatively fragmented, and we remain confident that there are opportunities for consolidation in an industry where scale economies are considered an advantage in bringing further efficiency to the manufacturing process and procurement. Strong GDP growth in many emerging markets and the relatively low penetration of beverage cans make these highly attractive target markets as does the presence of major global and regional customers. This is supported by the increase in the size of the middle classes and predominantly youthful populations more disposed towards the modern profile of the drinks can. In addition, the can is well suited to the often tough conditions that sometimes exist in the supply chain.

In order to strengthen our commitment to growth areas for beverage cans, we have split our Europe and Asia beverage can sector to create a new sector, based in Dubai, specifically for the markets in Africa, the Middle East and Asia (AMEA). Having a dedicated organisation will sharpen our focus on these markets of the future.

In South and Central American markets, we see further potential for consolidation in the market and for bolt on acquisitions all the while mindful of our returns over time.

In Healthcare, we doubled the capacity of our plant in Bangalore to meet continued growth in the region and also finalised a contract to manufacture generic drug delivery devices for a customer in India.

Portfolio management
Since 2009 we have carefully managed our portfolio of businesses to transform Rexam from a business with variable returns into one that is much more focused and generating good returns. During 2012 we completed the sale of Personal Care. The business was sold in two parts: the Cosmetics, Toiletries and Household Care products business and the High Barrier Food packaging business. Our aim was to maximise shareholder value by finding the best new owners for the business. The optimum solution (both with regard to price and terms) was to sell the business in two parts given that each business was more attractive on a standalone basis to separate buyers in light of their focused operations.

In January 2013, we announced the return of £395m of the sale proceeds to shareholders by way of a B share scheme – a structure that gave our shareholders flexibility in terms of tax treatment. The disposal of Personal Care, together with the share consolidation that accompanied the return of cash, will be marginally accretive to earnings.

An A rating for sustainability

We believe that sustainability makes business sense and we would not run our company any other way. So, the publication of our Sustainability report in June was a significant milestone in our company's sustainability history which dates back to its first formal environmental policy in 1994 and the publication of our first environmental and social report in 2003. We were delighted that the latest report was awarded an 'A' rating by the Global Reporting Initiative (GRI), the most comprehensive sustainability reporting guidelines currently available and the recognised global benchmark in this field.

The report is built around three core themes: Products, Operations and People. Resource and operational efficiency is vital for us and the environment, and with a large number of operational targets set, including waste to landfill and accredited site performance, we now have stretching goals to improve further on our previous achievements.

As a manufacturing company, we place great importance on the safety of our employees. We also ensure that our employees know what it means for us to act like a responsible business from factory to office as witnessed by the global roll out of our Code of Conduct. All the indicators we use to measure safety improved during 2012. Whilst 75% of our plants (2011: 70%) had no lost time accidents during the year, we very sadly had a fatality at a Personal Care plant in the US. Safety cannot be simply a priority: it must be an engrained value, part of our culture, and we have redoubled our efforts to ensure that we are doing everything to avoid such a tragedy recurring at any of our plants.

Looking longer term

The 2010 to 2013 period is about improving returns and creating a solid platform for the future. We are now a more focused company with 90% of our sales coming from beverage cans and we have evolved the organisation to reflect this. Our vision is to be the best in our business, with the aim of enhancing shareholder value. Beyond 2013, this will be underpinned by a continued focus on the 3 Cs. We will maintain a relentless focus on safety, efficiencies and world class operations to ensure we utilise our assets effectively and efficiently. Innovation in products and processes will be key, and the reorganisation of our own resources, including the aforementioned new position of Director of Technology, reflects this. Stronger customer and supplier relationships will help consolidate and grow sales, and, again, we have taken positive action during the year to ensure that we can strengthen these essential ties. Our commitment to sustainability targets and measures will help secure the long term future of Rexam. We continue to nurture a sense of 'One Rexam' as we build a winning organisation emphasising that together we achieve more, together we are stronger.

Beyond 2013, we plan to create value for shareholders by managing the business to maintain ROCE at around 15% while investing in growth opportunities. In years of high organic investment or an acquisition, ROCE may fall slightly and in a year of low organic investment it may rise slightly. But a ROCE of 15% will remain our centre of gravity as we maintain a disciplined balance between growth and returns.

Rexam generates about £200m of free cash flow per year. In addition, our balance sheet is in very good shape. Our long term gearing target is for net debt/EBITDA to be in the range 2.0 to 2.5 times. The pro forma gearing was 1.8 times net debt/EBITDA at the end of 2012, and given the current uncertainty in the global economic climate we are comfortable with this. But, having successfully refinanced our 2013 near term maturities and with the next maturities in 2017, we believe that there is scope to increase gearing to bring us within our target range over time.

We see, today, organic investment opportunities in existing and new geographies, and bolt on and consolidation acquisition opportunities. To the extent these opportunities materialise and offer us the ability to accelerate top line growth consistent with our objective of maintaining ROCE around 15%, we will then seek to take advantage of them. If the valuation, timing or availability of these opportunities do not coalesce, then we will look to increase cash returns to shareholders either by increasing the ordinary dividend or by returning surplus cash to shareholders through other means.

OPERATING REVIEW

In 2012, overall Group performance was in line with expectations. Total sales were £4,760m and total underlying operating profit was £537m. Total underlying profit before tax was £450m and total underlying earnings per share was 37.5p.

For continuing operations (excluding Personal Care), sales were £4,312m (2011: £4,232m) with organic sales growth, which adjusts for the impact of foreign currency exchange, of 4% coming mainly from Beverage Cans. Underlying profit before tax increased to £418m (2011: £414m) while underlying earnings per share improved 5% to 35.5p.

Beverage Cans

	2012	2011
Sales	**£3,885m**	£3,786m
Underlying operating profit	**£456m**	£447m
Return on sales	**11.7%**	11.8%
Return on net assets	**32.7%**	31.6%

The beverage can industry currently manufactures around 300bn cans globally and the market is growing about 3% annually. The three biggest global producers are Rexam, Ball and Crown who together account for more than 60% of the global beverage can volumes and close to 90% in Europe, North and South America.

The industry as a whole is characterised by high barriers to entry with the scale economies afforded by numerous production plants favouring the major players. Freight costs are substantial and in large regions a key driver of competitive advantage is an optimised network of plants in close proximity to customer filling locations.

Rexam Beverage Cans is a global business that operates on a regional basis which enables us to remain responsive to customer and market needs. Consumer preferences tend to be very regional and often form part of cultural traditions.

Our main operations are in Europe, North America and South America. From the start of 2013, we split our Europe and Asia business into two sectors. We now have one sector dedicated to Europe (including Russia) and one to manage emerging markets in Africa, Middle East and Asia. Located in Dubai, it has plants in Turkey, Egypt and India and a joint venture in South Korea.

Within the regions, our business is centralised and managed on a lean basis for cost control. The regional businesses collaborate globally ensuring that we leverage our scale and expertise effectively. To further support this, in 2012 we established a centrally driven technology programme for new products and processes with one set of innovation goals. It is headed up by a Director of Group Technology reporting into the leadership team. This singular approach will help us better share best practice and deliver value to all our stakeholders. We also set up a centre led global procurement team for aluminium, other direct materials and capital machinery.

Beverage cans are made from aluminium or steel. Because the beverage can making process relies on high speeds and low tolerances, operational excellence is at the heart of our business. Manufacturing and engineering expertise, cost reduction and best practice sharing, based on lean six sigma activities and world class customer service all form part of this foundation.

In 2012 Rexam Beverage Cans global volumes increased by 6% on last year, with good growth in all three regions supported by the recovery of volumes in North America as well as a 10% growth in specialty volumes across the business. Organic sales were up 4% (6% excluding pass through) to £3,885m and operating profit increased to £456m. Good volume growth in specialty cans, market share recovery in North America, the delivery of efficiencies related to downgauging and lightweighting and the relentless application of lean manufacturing and six sigma practices to reduce waste and lower energy consumption were offset by cost headwinds such as higher conversion costs (the cost of converting ingot into rolled sheet aluminium) and higher metal premiums (the cost charged by warehouses to hold aluminium ingots) as well as labour.

Our profit margin was broadly flat while RONA improved to 32.7% reflecting the rise in operating profit and our disciplined capital spend.

Beverage Can Europe & Asia

Europe is the largest of our regional markets and we are the leading can maker with more than 40% market share.

In 2012, our can volumes grew 3%, broadly in line with the market. Growth in our standard (12oz) cans, excluding Russian volumes, was 1% for the year. There were a number of promotions in different countries and drinks categories in the first half of the year due to major events such as the London Olympics and the European Football Championship but our growth was dampened by continuing economic uncertainty, an increase in Spanish VAT as well as our decision to relinquish some low margin business, given our focus on returns. Our specialty can volumes, however, grew 6% due to continued good growth in energy drinks for export, helped by the launch of new flavours as well as event specific cans.

In Russia, can volumes grew 4%. The new beer advertising regulations and restrictions around the sale of strong beer from kiosks did not have as significant an impact on cans as might have been expected but we remain cautious as to the outcome of these new regulations. The main changes in the market structure are anticipated to be in 2013 when all beer will be banned in kiosks (currently some 12% to 15% of total beer sales). We expect, however, that most kiosk beer sales will switch to other trade channels such as traditional shops and supermarkets. While consumption of cans is expected to continue to grow, our market share will be affected as a result of continued competitor activity.

At the end of January 2013, we started up a new plant in Finland. It completed on time and on budget and will increase our European capacity by about 1.4bn standard cans through 2013 and 2014 as we optimise output, with volumes covered by signed contracts up to and including 2015. In India, production started at our new high speed aluminium beverage can line plant in the final quarter of 2012 increasing our annual capacity to 0.8bn cans.

We are investing in a new specialty can line in Ludesch, Austria, which will increase our capacity by 0.7bn cans and enable us to support continued growth in specialty cans for export.

We successfully started the switch to lighter weight ends across our European network with the conversion of two of our four end plants, Waterford, Ireland, and Mont, France. The new ends use 10% less metal compared with standard ends and will deliver significant savings on raw material costs.

Beverage Can North America
North America is the largest beverage can market in the world with consumption in the region of 100bn cans per year. We are the number two can maker with more than 20% market share.

Although the North American can market was flat, our overall volumes grew 12% with volumes of standard cans growing 10% as we recovered one third of the total volume lost in 2011.

Our specialty can volumes performed strongly, growing 18%, mainly driven by increased sales of Sleek™, 16oz and 24oz cans where customers are using package differentiation to attract consumers particularly in the beer, iced teas and energy drinks segments.

During the year, we successfully completed, ahead of schedule, the conversion to a lighter weight can end across our can end facilities which will bring benefits in material usage to our North America business. We also increased capacity in specialty cans with the effective conversion of a 12oz line to Sleek and 16oz at our Chicago plant which started production in the fourth quarter.

We boosted our supply capability in Mexico and Guatemala with efficiency improvements at each plant location to address increasing customer demand in a Cental American can market that grew 15% during the year.

We continued to work with customers on freight and metal usage as well as distribution and filling economics to strengthen the overall supply chain.

Our good cash conversion continued as we maintained the strong return on net assets that characterises this part of the business.

Beverage Can South America
In South America, our overall volumes were up 5%, in a market that grew 7%, driven largely by growth in the beer segment and as cans continued to take market share from returnable glass.

Growth in our own 12oz standard cans accelerated in the second half and volumes were up 4% for the whole year. Specialty cans growth continued and volumes were up 8% for the year primarily driven by beer.

Although the continued softness in the Brazilian economy dampened growth somewhat, the beverage sector was one of the few that continued to grow benefiting from an expanding population and higher domestic incomes.

In Argentina and Chile we are the sole can maker. Growth in both countries was very strong during the year with volumes up 18% and 13% respectively as new filling capacity came on line and cans gained share over glass bottles. Can volume growth for CSDs and beer outstripped beverage market growth in both countries.

The large drinks producers maintained a strategy of focusing on margin which impacted volume growth. In October 2012, Brazil's government postponed tax increases on beer and the total tax burden is not expected to change until April 2013. Drinks producers seem to be maintaining their investment plans and although prices to consumers are expected to rise, these are not expected to be significant.

The big sports events to be hosted in Brazil in the coming years are expected to have a positive effect on beverage consumption and accelerate sales. The major beverage manufacturers have already announced substantial investments for the coming years, including greenfield plants and improvements in production capacity to support the predicted higher demand.

The new plant in Belém, which will initially add 0.8bn of additional can capacity to our South American network, is set to open in the first quarter and will help us to accelerate our growth and recover market share ceded in the past two years.

Healthcare Packaging

	2012	2011
Sales	**£427m**	£446m
Underlying operating profit	**£48m**	£65m
Return on sales	**11.2%**	14.6%
Return on net assets	**26.0%**	38.2%

Rexam Healthcare is a global leader in the design, development and manufacture of innovative rigid plastic packaging and devices for healthcare applications.

Healthcare comprises two main businesses: Packaging & Devices, including drug delivery devices, metering pumps and valves and medical components, and Retail Prescription products, which includes containers and closures. It is a well invested business with an experienced management team and, in all, currently employs around 3,100 people at 13 plants in the US, Europe and India.

In 2012, organic sales in Healthcare were down 2%. There was good growth in a new range of insulin pens and multi layer containers but this was more than offset by the weak flu season in North America in the early part of the year and the impact on the pricing of one of our key devices as the drug it delivers comes off patent in 2013. In addition, the loss of business with an animal health provider in the second half of the year contributed to the overall reduction in sales.

Efficiencies of £7m, driven principally from lean manufacturing practices and lower energy use, were not sufficient to offset lower prescription volumes and the lost animal health business. Pricing was also down as gains in the Prescription business were more than offset by the effect of the customer's product coming off patent. As a result, both profit margin and RONA declined in 2012.

The extension of our plant in La Verpillière, France, to accommodate increased volumes of insulin pens for global customers started production at the end of 2013.

In India, we have also extended the plant to meet increased demand from local customers.

We continue to pursue opportunities to develop or codevelop solutions with pharmaceutical companies as they focus increasingly on their core business. Our needle stick prevention device, Safe’n’Sound®, and our preservative free technology for multidose eye droppers, Novelia®, represent a strong pipeline of opportunities in developed and emerging countries. The industrial ramp up of our next generation nasal spray, Advancia®, is progressing and will reinforce our market position in a segment in which we expect strong growth in the next five years.

Enterprise risk management and sustainability

Details of risk management and sustainability will be available in the annual report 2012.

Dividend

The board is proposing a final dividend of 10.2p per share, making a total dividend of 15.2p for the year. This 6% increase reflects the board's continuing confidence in the Group's future and is in line with our dividend policy to have a dividend cover in the range 2.0 to 2.5 times underlying earnings. Subject to shareholder approval at Rexam's AGM on 18 April 2013, the final dividend will be paid on 22 May 2013 to shareholders on the register at close of business on 26 April 2013.

2013 outlook

In 2013 we will continue to focus on optimising cash generation, continually monitoring our costs and maintaining our disciplined approach to capital investment.

We expect to make further progress in 2013 despite an uncertain macroeconomic environment and continued cost pressures. Further contractual gains in North America and continued growth in our European and South American beverage can businesses give us confidence we will achieve our 15% ROCE target.

FINANCIAL REVIEW

This financial review of our results is principally based on what we term the underlying business performance, as shown in the tables below. This excludes exceptional items, the amortisation of certain acquired intangible assets and fair value changes on certain operating and financing derivatives (together 'exceptional and other items'). We feel that the underlying figures aid comparison and understanding of the Group's financial performance.

The Personal Care business was identified for disposal earlier this year and reclassified to discontinued operations. Discontinued operations in 2012 comprise the Personal Care business and in 2011 also include the Closures business which was sold in 2011. Further details of the trading results of these businesses, together with the background and accounting impact of the disposal of Personal Care, are set out in 'Discontinued operations' below.

2012	Continuing operations £m	Discontinued operations (Personal Care) £m	Total operations £m
Underlying business performance[1]:			
Total sales	**4,312**	**448**	**4,760**
Underlying operating profit	**504**	**33**	**537**
Share of associates and joint ventures profit after tax	**9**	**–**	**9**
Underlying total net finance cost[2]	**(95)**	**(1)**	**(96)**
Underlying profit before tax	**418**	**32**	**450**
Underlying profit after tax	**309**	**17**	**326**
Exceptional and other items after tax	**(45)**	**(67)**	**(112)**
Profit/(loss) for the year	**264**	**(50)**	**214**
Underlying earnings per share (pence)	**35.5**		**37.5**
Basic earnings per share (pence)	**30.3**		**24.6**
Interim dividend per share (pence)			**5.0**
Proposed[3] final dividend per share (pence)			**10.2**

2011 restated for the reclassification of Personal Care to discontinued operations	Continuing operations £m	Discontinued operations (Personal Care and Closures) £m	Total operations £m
Underlying business performance[1]:			
Total sales	4,232	707	4,939
Underlying operating profit	512	50	562
Share of associates and joint ventures profit after tax	9	–	9
Underlying total net finance cost[2]	(107)	(1)	(108)
Underlying profit before tax	414	49	463
Underlying profit after tax	296	27	323
Exceptional and other items after tax	(7)	60	53
Profit for the year	289	87	376
Underlying earnings per share (pence)	33.9		37.0
Basic earnings per share (pence)	33.1		43.1
Interim dividend per share (pence)			4.7
Final dividend per share (pence)			9.7

1 Underlying business performance is the primary performance measure used by management who believe that the exclusion of exceptional and other items aids comparison of underlying performance of continuing operations. Exceptional items include the restructuring and integration of businesses, significant changes to retirement benefit obligations, gains or losses on the disposal of businesses, goodwill impairments, major asset impairments and disposals and significant litigation and tax claims. Other items comprise the amortisation of certain acquired intangible assets (customer contracts and relationships and technology and patents) and fair value changes on certain operating and financing derivatives.

2 Underlying total net finance cost of £95m (2011: £107m) comprises net interest of £81m (2011: £91m) and retirement benefit obligations net finance cost of £14m (2011: £16m).

3 Subject to approval at the AGM 2013 and payable on 22 May 2013.

Summary of the statutory performance

	2012 £m	2011 restated £m
Continuing operations:		
Sales	**4,312**	4,232
Profit before tax	**354**	402
Profit after tax	**264**	289
Discontinued operations – (loss)/profit for the year:		
Personal Care	**(50)**	14
Closures	**–**	73
Profit for the year attributable to Rexam PLC	**214**	376
Basic earnings per share (pence)	**24.6**	43.1

Results on a statutory basis include disposed businesses, currency translation, exceptional and other items and discontinued operations. The exceptional and other items and the results of discontinued operations are described in more detail on pages 18 to 19. For continuing operations, sales were £4,312m (2011: £4,232m) and profit before tax including exceptional and other items was £354m (2011: £402m). Total profit after tax, including the results of discontinued operations, was £214m (2011: £376m) and basic earnings per share was 24.6p (2011: 43.1p).

The following tables, showing sales and underlying operating profit, compare the continuing operations on a consistent basis to demonstrate 'like for like' trading performance. This basis excludes discontinued operations. Organic change is the year on year change arising on continuing operations at constant exchange rates.

Analysis of sales movement

	Total £m	Beverage Cans £m	Healthcare £m
Total sales reported 2011	4,939		
Closures classified as discontinued operations in 2011	(205)		
Personal Care classified as discontinued operations in 2012	(502)		
Continuing operations 2011 reported in 2012	4,232	3,786	446
Currency fluctuations	(77)	(68)	(9)
Continuing operations 2011 pro forma basis	4,155	3,718	437
Organic change in sales	157	167	(10)
Sales reported 2012	**4,312**	**3,885**	**427**

Organic sales, which exclude the impact of discontinued operations, disposals and currency, increased by £157m or 4%. The increase in Beverage Cans is driven by overall volume growth of 6% and some price increases partly offset by pass through of lower metal costs in 2012. Volumes in all regions were underpinned by good growth in specialty cans and, in North America, by contractual gains in standard cans. South

American volumes improved in the second half and grew by 5% in the year, offset by some contractual price reductions. In Healthcare, sales declined by £10m, or 2%, due mainly to price reductions as a major customer product came off patent.

Analysis of underlying operating profit movement

	Total £m	Beverage Cans £m	Healthcare £m
Total underlying operating profit reported 2011	562		
Closures classified as discontinued operations in 2011	(13)		
Personal Care classified as discontinued operations in 2012	(37)		
Continuing operations 2011 reported in 2012	512	447	65
Currency fluctuations	(14)	(12)	(2)
Continuing operations 2011 pro forma basis	498	435	63
Organic change in underlying operating profit	6	21	(15)
Underlying operating profit reported 2012	**504**	**456**	**48**

A further analysis of the organic change in underlying operating profit from continuing operations is set out below.

	Total £m	Beverage Cans £m	Healthcare £m
Sales price and cost changes	**(46)**	**(23)**	**(23)**
Volume and mix changes	**26**	**25**	**1**
Efficiency and other savings	**26**	**19**	**7**
Organic change in underlying operating profit	**6**	**21**	**(15)**

Underlying operating profit, after adjusting for the impact of discontinued operations, disposals and currency, rose by £6m or 1% reflecting an improvement in beverage can volumes and efficiency savings across the Group, mostly offset by cost increases in our beverage can business and the performance of the Healthcare business. The Healthcare business was impacted by a key customer product coming off patent and the loss of an animal health business in the second half of the year. Efficiency savings of £26m came from the application of six sigma and lean enterprise methodologies across the Group. In Beverage Cans, major savings arose from lightweighting, spoilage reduction, downgauging and reduced utility usage. In Healthcare, the major contributors were lower material usage and improved operating efficiency.

Exchange rates

The main exchange rates used to translate the consolidated income statement and balance sheet are set out below:

	2012	2011
Average:		
Euro	**1.23**	1.15
US dollar	**1.59**	1.60
Russian rouble	**49.24**	47.12
Closing:		
Euro	**1.23**	1.19
US dollar	**1.62**	1.54
Russian rouble	**49.27**	49.59

Consolidated income statement

The principal currencies that impact our results are the US dollar, the euro and the Russian rouble. The euro and the Russian rouble weakened against sterling in the year while the US dollar was broadly flat. The net effect of currency translation caused sales and underlying operating profit from ongoing operations to reduce by £77m and £14m respectively compared with 2011 as shown below.

	Sales £m	Underlying operating profit £m
US dollar	**15**	**2**
Russian rouble	**(13)**	**(3)**
Euro	**(70)**	**(13)**
Other currencies	**(9)**	**–**
	(77)	**(14)**

In addition to the translation exposure, the Group is also exposed to movements in exchange rates on certain of its transactions. These are principally movements in the US dollar/euro and the US dollar and euro/Russian rouble on the European operations and the US dollar/Brazilian real on the South American beverage can operations. These exposures are largely hedged and therefore did not significantly impact underlying profit.

Consolidated balance sheet

Most of the Group's borrowings and net assets are denominated in US dollars and euros. Currency movements reduced net borrowings by £77m and net equity by £62m.

Underlying net finance cost

	2012 £m	2011 £m
Net interest	**(81)**	(91)
Retirement benefit obligations net finance cost	**(14)**	(16)
Underlying net finance cost	**(95)**	(107)

The underlying net finance cost fell by £12m compared with the prior year. The £10m reduction in net interest is primarily due to lower average net borrowings, which reflect proceeds from disposal of businesses, together with the benefit of interest rate swaps. The change in retirement benefits net finance cost is explained in 'Retirement benefits' below. The overall average interest rate for the year was around 6%, similar to 2011. Based on underlying operating profit from continuing operations, interest cover was 6.2 times (2011: 5.6 times). Interest cover is based on underlying operating profit from continuing operations and underlying net interest expense excluding charges in respect of retirement benefit obligations.

Tax

The tax charge on profit before exceptional and other items for the year on total operations was £124m, 28% (2011: £140m, 30%).

Following the disposal of the Personal Care business, which operated in relatively higher taxed territories, we anticipate that the sustainable tax charge on continuing operations will be around 28%. This reflects the mix of profits in the territories in which we operate, as well as the availability of tax incentives in some jurisdictions. The tax charge on the underlying profit from continuing operations before exceptional and other items in 2012 was £109m, 26% (2011: £118m, 29%), benefitting additionally from the recognition in the year of certain deferred tax assets arising on tax losses the recoverability of which is now considered probable.

Tax cash payments in the year for continuing operations were £71m compared with £60m last year with an additional £23m (2011: £26m) relating to discontinued operations. Cash tax differs from the charge to the income statement due to the utilisation of tax assets such as tax losses and other deductions allowed under local tax laws, and payments of taxes sometimes falling outside the financial year to which they relate. We anticipate cash tax to continue to be lower than the charge to the income statement for the foreseeable future.

Exceptional and other items

The exceptional and other items arising in 2012 in respect of total operations were as follows:

	Continuing operations £m	Discontinued operations £m	Total operations £m
Exceptional and other items included in operating profit:			
Profit on disposal of businesses	**–**	**125**	**125**
Impairment of Personal Care goodwill	**–**	**(181)**	**(181)**
Restructuring of businesses	**(33)**	**(11)**	**(44)**
Amortisation of certain acquired intangible assets	**(18)**	**(3)**	**(21)**
Fair value changes on operating derivatives	**7**	**–**	**7**
Total exceptional and other items included in operating profit	**(44)**	**(70)**	**(114)**
Fair value changes on financing derivatives	**(20)**	**–**	**(20)**
Total exceptional and other items before tax	**(64)**	**(70)**	**(134)**
Tax on exceptional and other items	**19**	**3**	**22**
Exceptional and other items after tax	**(45)**	**(67)**	**(112)**

Exceptional items

Disposal of businesses and goodwill impairment

The disposal of Personal Care was completed on 31 December 2012 giving rise to a profit in the second half of £125m. This profit includes foreign exchange translation differences arising on Personal Care net assets since the date of their acquisition, some £72m, and reflects all tax impacts of the transaction. The impairment of Personal Care goodwill of £181m, recorded in the first half, is described in 'Discontinued operations' on pages 19 to 20.

Restructuring of businesses

The restructuring charge of £44m (including £6m related to asset impairments) on total operations principally arose as a consequence of the disposal of Personal Care. When we announced the sale of Personal Care in July 2012, we stated that we would need to carry out a restructuring programme to remove residual overheads and would incur some separation costs. It is expected that the cash costs in 2012 and 2013 will be in the region of £15m.

Other items

Amortisation of certain acquired intangible assets

Intangible assets, such as technology patents and customer contracts, are required to be recognised on the acquisition of businesses and amortised over their useful life. The directors consider that separate disclosure, within exceptional and other items, of the amortisation of such acquired intangibles relating to total operations amounting to £21m (2011: £26m) aids comparison of organic change in underlying profit.

Operating derivatives fair value changes

Fair value changes on operating derivatives relate to changes in the value of commodity hedges for the forward purchase of aluminium and resin and the fair value movements on non hedge accounted forward exchange contracts. Accounting rules require that the effectiveness of our commodity hedges is tested at each reporting date. Where a hedge is deemed to be effective the fair value change is recorded in the relevant hedge reserve and where it is ineffective or there is over hedging, the relevant proportion of the fair value is charged or credited to the consolidated income statement.

Effectiveness on our aluminium forward deals is calculated by comparing the value of the forward deals to the value of our underlying hedged item; for Rexam this is principally aluminium coil. Current accounting rules require that the ingot conversion cost of and metal premium on our aluminium coil be included when calculating the effectiveness of our underlying hedged item, despite the fact that we only hedge the underlying LME portion of the aluminium coils. The effect of the movement in conversion costs against the movement in the aluminium price has resulted in aluminium hedges failing the effectiveness test. As aluminium prices have increased, this has given rise to a gain of £11m (2011: £nil). Revised accounting standards are being drafted which will address this particular anomaly but they are not currently expected to be implemented before 2015. In addition, there was a loss of £4m (2011: £nil) relating to fair value changes on certain non hedge accounted forward foreign exchange contracts.

This accounting treatment can give rise to income statement volatility up to the date the hedge matures and management believe that it is more appropriate to exclude any such movements from underlying profit. As the hedge matures, at which point the cost will be substantially passed onto our customers, any realised gain or loss on the hedge is reversed in full from fair value changes on operating derivatives and recognised within underlying profit.

Fair value changes on financing derivatives

The fair value of the derivatives arising on financing activities directly relates to changes in interest rates and foreign exchange rates. The fair value will change as the transactions to which they relate mature, as new derivatives are transacted and due to the passage of time. The fair value change on financing derivatives for the year was a net loss of £20m (2011: net gain £23m).

Discontinued operations – Personal Care and Closures

During the year the Group decided to market the Personal Care business, including the High Barrier Food packaging business, for disposal. The Personal Care business was therefore reclassified as a discontinued operation and consequently its results are disclosed separately from those of the continuing operations.
The Group announced the sale of the Personal Care business in July 2012 and it was completed in December 2012.

	Personal Care 2012 £m	Personal Care and Closures 2011 £m
Sales:		
Personal Care	**448**	502
Closures	**–**	205
Total	**448**	707
Underlying operating profit:		
Personal Care	**33**	37
Closures	**–**	13
Total	**33**	50
Underlying profit before tax	**32**	49
Underlying profit after tax	**17**	27
Exceptional and other items:		
Impairment of goodwill	**(181)**	–
Impairment of other assets	**(2)**	(34)
Amortisation of certain acquired intangible assets	**(3)**	(7)
Restructuring and other exceptional items	**(9)**	(5)
Tax on exceptional and other items	**3**	15
Exceptional and other items after tax	**(192)**	(31)
Profit on disposal:		
Personal Care	**125**	–
Closures	**–**	91
(Loss)/profit for the year after tax	**(50)**	87

The decline in underlying performance of Personal Care reflects the impact of lower volumes partly offset by the benefit of efficiency and other cost savings.

The decision to market the Personal Care business for disposal required its carrying value to be subject to an impairment review. This review gave rise to an impairment charge before tax of £181m on the Cosmetics, Toiletries and Household Care products business in the first half of 2012. This impairment has been partly offset by the profit arising on the sale of the High Barrier Food packaging business together with a positive foreign exchange translation movement reflected in reserves to the date of disposal which has been recycled back to the income statement. This latter movement relates to foreign exchange translation differences arising on net assets since the date of their acquisition.

Now that the disposal is complete, additional restructuring is required to address the level of shared service administration support and to rationalise those retained facilities which share production sites with the Healthcare business as discussed under 'Exceptional and other items' above.

Earnings per share

	2012	2011
Underlying earnings per share:		
Continuing operations (pence)	**35.5**	33.9
Total operations (pence)	**37.5**	37.0
Basic earnings per share total operations (pence)	**24.6**	43.1
Average number of shares in issue (millions)	**869.9**	872.6
Year end number of shares in issue (millions)	**878.4**	877.0

Underlying earnings per share from continuing operations was 5% higher at 35.5p compared with 33.9p in 2011. Basic earnings per share from total operations, which includes exceptional and other items, was 24.6p (2011: 43.1p) reflecting the impact of the disposal of businesses.

Retirement benefits

Retirement benefit obligations (net of tax) as at 31 December 2012 were £355m, a decrease of £16m compared with £371m reported at 31 December 2011. This change was principally due to cash contributions partly offset by reductions in discount rates. The changes to the actuarial value of retirement benefits at the balance sheet date, a loss of £23m net of tax, are included in the consolidated statement of comprehensive income.

The retirement benefit obligations net finance cost is analysed as follows:

	2012 £m	2011 £m
Defined benefit plans	**9**	6
Retiree medical – interest on liabilities	**5**	6
	14	12
Cost recognised in the income statement on annuitisation of certain US retirement benefit obligations	**–**	4
Retirement benefit obligations net finance cost	**14**	16

The overall retirement benefit obligations net finance cost, which is a non cash accounting charge, reduced to £14m from £16m in the prior year, due mainly to the non recurrence of the charge recognised following the annuitisation of certain US pension obligations in 2011.

The accounting standard, IAS19 (Revised) 'Employee benefits' will be adopted by Rexam from 1 January 2013 with retrospective restatement of 2012 comparatives as illustrated below for continuing operations.

	2012 Reported £m	IAS19 Restatement £m	2012 Restated £m
Service cost	**25**	**8**	**33**
Retirement benefit obligations net interest cost	**14**	**5**	**19**

The principal changes under IAS19 revised that impact Rexam are:

- Plan administration costs are included in service costs and investment management costs are included in other comprehensive income. These costs were previously included in the retirement benefits net finance cost, which becomes the retirement benefit obligations net interest cost. This increases the 2012 reported service cost by £8m.
- Net interest cost on net opening liability replaces the expected return on plan assets and interest on the pension benefit obligation. This change, together with the switch of plan administration costs, increases the 2012 reported retirement benefit net finance cost by £5m.

It is estimated that the overall net interest cost in 2013 will be around £16m, lower than the restated £19m for 2012.

The total cash payments in respect of retirement benefits are as follows:

	2012 £m	2011 £m
Defined benefit pension plans	**51**	46
Other pension plans	**9**	10
Retiree medical	**10**	9
Total cash payments	**70**	65

As part of the 31 March 2011 UK valuation, Rexam PLC and the trustees to the UK defined benefit plan agreed a six year escrow investment with contributions of £10m in 2012 and £15m for each of the following five years. At each subsequent valuation date, the assets in escrow will either be allocated to the plan, to Rexam PLC or remain in escrow subject to the funding position of the plan. As at December 2012 £10m had been paid into the escrow investment account, which is included within net borrowings.

Based on current actuarial projections, it is expected that total cash payments will be £5m lower in 2013 mainly due to the escrow arrangements detailed above.

Cash flow

Total free cash flow for the year from continuing operations resulted in an inflow of £219m compared with £274m for 2011. This lower inflow primarily reflects an increase in capital expenditure, higher retirement benefit cash contributions offset by lower restructuring charges. Net cash flow was £474m (2011: £337m), including free cash flow from discontinued businesses, net proceeds from the disposal of Personal Care and is after paying dividends.

	2012 £m	2011 £m
Continuing operations:		
Underlying operating profit	**504**	512
Depreciation and amortisation[1]	**160**	161
Retirement benefit obligations	**(44)**	(40)
Change in working capital	**(10)**	(5)
Restructuring costs	**(10)**	(16)
Other movements	**16**	(7)
Cash generated	**616**	605
Capital expenditure (net)	**(258)**	(191)
Net interest and tax paid	**(144)**	(144)
Dividends and loan from joint venture	**5**	4
Free cash flow from continuing operations	**219**	274
Free cash flow from discontinued operations	**(26)**	(29)
Free cash flow	**193**	245
Dividends paid to non controlling interests	**–**	(1)
Equity dividends	**(128)**	(111)
Business cash flow	**65**	133
Disposals[2]	**409**	204
Cash flow including borrowings disposed	**474**	337
Share capital changes	**4**	(18)
Exchange differences	**77**	29
Other non cash movements	**(24)**	24
Net borrowings at the beginning of the year	**(1,312)**	(1,684)
Net borrowings at the end of the year[3]	**(781)**	(1,312)

1 Excludes amortisation of certain acquired intangibles amounting to £18m (2011: £19m).
2 Disposal proceeds in 2012 include £14m in respect of borrowings disposed (2011: £nil) and in 2011 are offset by £1m in respect of a capital injection in a joint venture.
3 Net borrowings comprises borrowings £2,212m (2011: £1,838m) less cash and cash equivalents £1,307m (2011: £412m), the pension escrow investments £10m (2011: £nil) and financing derivatives £114m (2011: £114m).

Capital expenditure – continuing operations

	2012	2011
Capital expenditure (gross)[1] (£m)	**259**	192
Depreciation and amortisation[2] (£m)	**160**	161
Ratio (times)	**1.6**	1.2

1 Capital expenditure is on a cash basis and includes computer software that has been capitalised.
2 Amortisation excludes £18m (2011: £19m) amortised on patents, customer contracts and intangibles other than computer software.

Gross capital expenditure by continuing operations was £259m, around 1.6 times depreciation and amortisation, of which approximately 60% was attributable to strategic and growth projects. The principal projects in Beverage Cans were to support growth in South America, the development of specialty can products, a new plant in Finland, the new line in India and the introduction of a lightweight end in response to market developments and customer requirements. Healthcare investments continued to be focused on new product development, in particular the insulin pen.

It is expected that capital expenditure from continuing operations in 2013 will be around £250m, 1.5 times depreciation and amortisation.

Balance sheet and borrowings

	As at 31.12.12 £m	As at 31.12.11 £m
Goodwill and other intangible assets	**1,813**	2,177
Property, plant and equipment	**1,459**	1,590
Retirement benefits (net of tax)	**(355)**	(371)
Other net assets	**151**	235
	3,068	3,631
Total equity, including non controlling interests	**2,287**	2,319
Net borrowings[1]	**781**	1,312
	3,068	3,631
Return on capital employed[2] (%)	**14.7**	13.7
Net borrowings/EBITDA[3] (times)	**1.2**	1.9
Interest cover[4] (times)	**6.2**	5.6
Gearing[5] (%)	**34**	57

1 Net borrowings comprise borrowings, cash and cash equivalents, pension escrow investments and certain derivative financial instruments.
2 Underlying operating profit plus share of associates and joint ventures profit after tax of continuing and discontinued operations divided by the average of opening and closing of shareholders' equity after adding back retirement benefit obligations (net of tax) and net borrowings.
3 Based on net borrowings divided by underlying operating profit plus depreciation and amortisation from continuing operations, excluding amortisation of certain acquired intangible assets.
4 Based on underlying operating profit of continuing operations divided by underlying total net interest expense.
5 Based on net borrowings divided by total equity including non controlling interests.

The level of net borrowings at 31 December 2012, down by £531m compared with the previous year, primarily reflects the cash inflow from the disposal of Personal Care and favourable impact of currency translation and other non cash movements.

Net borrowings, which include interest accruals and certain financing derivatives, are set out below:

	As at 31.12.12 £m	As at 31.12.11 £m
Borrowings	**2,212**	1,838
Cash and cash equivalents	**(1,307)**	(412)
Pension escrow investments	**(10)**	–
Financing derivatives	**(114)**	(114)
Net borrowings	**781**	1,312

The profile of net borrowings as at December 2012 has been distorted by a number of factors, namely: the early refinancing of the 2013 debt maturities; the disposal proceeds for Personal Care; and the timing of the return of cash to shareholders. These factors will be normalised during the first half of 2013, as illustrated below:

	Transaction timing	Borrowings £m	Cash and cash equivalents £m
Reported as at 31.12.12		**2,212**	**(1,307)**
Return of cash to shareholders	February/April 2013	**–**	**395**
Medium term note maturity	March 2013	**(518)**	**518**
US private placement and bond maturities	June 2013	**(385)**	**385**
As at 31.12.12 on a pro forma basis		**1,309**	**(9)**

The Group's current principal committed loan and bank facilities total some £2.8bn in varying currencies and maturities, as detailed below:

	Currency	Maturity	Facility £m
Facilities maturing after 2013:			
Subordinated bond	US$ and euro	2067	**625**
US private placement	US$	2024	**108**
US private placement[1]	US$	2022	**337**
US private placement	Euro	2022	**20**
Revolving credit facility	Multi currency	2017	**602**
Bilateral credit facilities	Multi currency	2017	**207**
			1,899
Facilities maturing in 2013:			
Medium term note	Euro	2013	**518**
US private placement[1] and bond	US$	2013	**385**
Total committed loan and bank facilities			**2,802**

1 Reflects $150m (£93m) draw down of a new and part repayment of an existing US private placement in January 2013.

In anticipation of the bonds maturing in the first half of 2013, the Group has issued c US$750m of senior notes in the US private placement market. This comprised US$545m of notes due in 2022, €25m of notes due in 2022 and US$175m of notes due in 2024. The average coupon on these new notes is just over 4%, compared with an average coupon of around 6% on the expiring notes. Due to the timing of the maturity of the existing bonds, the benefit of this lower interest rate will begin to be realised in the second half of 2013.

For the management of foreign currency asset matching and interest rate risk, the profile of gross borrowings is approximately 64% (2011: 68%) in US dollars and 36% (2011: 32%) in euros.

Our net borrowings/EBITDA based on continuing operations has strengthened from 1.9 times in 2011 to 1.2 times as a result of the reduction in net borrowings. The return of capital of £395m in early 2013 would increase net borrowings/EBITDA at December 2012 to 1.8 times. Interest cover is over 6 times and we remain comfortably within our debt covenants. Our liquidity is strong with committed debt headroom of £0.8bn at the year end.

Derivative financial instruments comprise instruments relating to net borrowings (cross currency, interest rate swaps and forward foreign exchange contracts) and those related to other business transactions (forward commodity contracts and forward foreign exchange contracts). Total derivative financial instruments are set out below:

	As at 31.12.12 £m	As at 31.12.11 £m
Cross currency swaps	**117**	110
Interest rate swaps	**(3)**	4
Derivative financial instruments included in net borrowings	**114**	114
Other derivative financial instruments	**(16)**	(55)
Total derivative financial instruments	**98**	59

The increase in the value of cross currency swaps can be mainly attributed to the weakening of the US dollar against sterling, while the reduction in the value of interest rate swaps is attributable to the decrease in the longer term forward interest rates. The increase in the value of other derivatives was due mainly to the increase in aluminium prices.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2012 £m	2011 restated £m
Continuing operations			
Sales	2	**4,312**	4,232
Operating expenses		**(3,852)**	(3,755)
Underlying operating profit	2	**504**	512
Exceptional items	3	**(33)**	(16)
Amortisation of certain acquired intangible assets		**(18)**	(19)
Fair value changes on certain operating derivatives		**7**	–
Operating profit	2	**460**	477
Share of post tax profits of associates and joint ventures		**9**	9
Retirement benefit obligations net finance cost	5	**(14)**	(16)
Underlying interest expense		**(89)**	(98)
Fair value changes on financing derivatives		**(20)**	23
Interest expense		**(109)**	(75)
Interest income		**8**	7
Underlying profit before tax		**418**	414
Exceptional items	3	**(33)**	(16)
Amortisation of certain acquired intangible assets		**(18)**	(19)
Fair value changes on certain derivatives		**(13)**	23
Profit before tax		**354**	402
Tax on underlying profit		**(109)**	(118)
Tax on exceptional items	3	**9**	4
Tax on amortisation of certain acquired intangible assets		**7**	7
Tax on fair value changes on certain derivatives		**3**	(6)
Tax		**(90)**	(113)
Profit for the financial year from continuing operations		**264**	289
Discontinued operations			
(Loss)/profit for the financial year from discontinued operations	4	**(50)**	87
Total profit for the financial year attributable to equity shareholders of Rexam PLC		**214**	376

	Notes	2012 Pence	2011 restated Pence
Underlying earnings per share	6		
Continuing operations		**35.5**	33.9
Discontinued operations		**2.0**	3.1
Total		**37.5**	37.0
Basic earnings/(loss) per share	6		
Continuing operations		**30.3**	33.1
Discontinued operations		**(5.7)**	10.0
Total		**24.6**	43.1

For details of equity dividends paid and proposed see note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	2012 £m	2011 £m
Profit for the financial year attributable to equity shareholders of Rexam PLC	**214**	376
Retirement benefits: actuarial losses	**(33)**	(104)
Retirement benefits: tax on actuarial losses	**10**	30
Exchange differences before recognition of net investment hedges	**(86)**	(30)
Net investment hedges recognised	**24**	14
Exchange differences recognised in the income statement on the disposal of businesses	**(72)**	(89)
Cash flow hedges recognised	**(35)**	(92)
Cash flow hedges transferred to inventory	**66**	(16)
Cash flow hedges transferred to the income statement	**1**	–
Tax on cash flow hedges	**(9)**	28
Cost recognised in the income statement on annuitisation of certain pension obligations (net of tax)	**–**	3
Premium paid on annuitisation of certain pension obligations	**–**	(2)
Disposal of non controlling interests	**–**	(2)
Other comprehensive loss for the year	**(134)**	(260)
Total comprehensive income for the year attributable to equity shareholders of Rexam PLC	**80**	116

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER

	Notes	2012 £m	2011 £m
Assets			
Non current assets			
Goodwill		**1,553**	1,834
Other intangible assets		**260**	343
Property, plant and equipment		**1,459**	1,590
Investments in associates and joint ventures		**68**	70
Insurance backed assets		**23**	23
Deferred tax assets		**292**	294
Trade and other receivables		**110**	106
Available for sale financial assets		**1**	1
Derivative financial instruments	8	**233**	265
		3,999	4,526
Current assets			
Inventories		**447**	517
Insurance backed assets		**2**	2
Trade and other receivables		**567**	626
Available for sale financial assets		**–**	1
Derivative financial instruments	8	**38**	38
Cash and cash equivalents	8	**1,307**	412
		2,361	1,596
Assets classified as held for sale		**3**	2
		2,364	1,598
Total assets		**6,363**	6,124
Liabilities			
Current liabilities			
Borrowings	8	**(1,106)**	(53)
Derivative financial instruments	8	**(26)**	(63)
Current tax		**(9)**	(13)
Trade and other payables		**(834)**	(861)
Provisions		**(46)**	(36)
		(2,021)	(1,026)
Non current liabilities			
Borrowings	8	**(1,106)**	(1,785)
Derivative financial instruments	8	**(147)**	(181)
Retirement benefit obligations	5	**(516)**	(540)
Deferred tax liabilities		**(59)**	(63)
Non current tax		**(85)**	(87)
Other payables		**(51)**	(53)
Provisions		**(91)**	(70)
		(2,055)	(2,779)
Total liabilities		**(4,076)**	(3,805)
Net assets		**2,287**	2,319
Equity			
Ordinary share capital		**565**	564
Share premium account		**992**	989
Capital redemption reserve		**351**	351
Retained earnings		**286**	211
Other reserves		**93**	204
Shareholders' equity		**2,287**	2,319

Approved by the board on 20 February 2013

Graham Chipchase, Chief Executive

David Robbie, Finance Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations		**646**	650
Interest paid		**(82)**	(91)
Tax paid		**(94)**	(86)
Net cash flows from operating activities		**470**	473
Cash flows from investing activities			
Capital expenditure		**(291)**	(240)
Proceeds from sale of property, plant and equipment		**1**	1
Disposal of discontinued businesses	4	**392**	205
Disposal of continuing businesses		**3**	–
Pension escrow investment payment	8	**(10)**	–
(Repayment of loan from)/loan from joint venture		**(5)**	4
Dividend from joint venture		**10**	–
Interest received		**8**	7
Other investing items		**–**	(1)
Net cash flows from investing activities		**108**	(24)
Cash flows from financing activities			
Proceeds from borrowings		**401**	7
Repayment of borrowings		**(5)**	(36)
Proceeds from issue of share capital on exercise of share options		**4**	–
Purchase of Rexam PLC shares by Employee Share Trust		**–**	(18)
Dividends paid to equity shareholders		**(128)**	(111)
Other financing items		**16**	9
Net cash flows from financing activities		**288**	(149)
Net increase in cash and cash equivalents		**866**	300
Cash and cash equivalents at the beginning of the year		**402**	99
Exchange differences and other adjustments		**(19)**	3
Net increase in cash and cash equivalents		**866**	300
Cash and cash equivalents at the end of the year		**1,249**	402
Cash and cash equivalents comprise:			
Cash at bank and in hand		**384**	83
Short term bank deposits		**923**	329
Bank overdrafts		**(58)**	(10)
		1,249	402

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Shareholders' equity £m	Non controlling interests £m	Total equity £m
At 1 January 2012	**564**	**989**	**351**	**211**	**204**	**2,319**	**–**	**2,319**
Profit for the financial year	**–**	**–**	**–**	**214**	**–**	**214**	**–**	**214**
Retirement benefits: actuarial losses	**–**	**–**	**–**	**(33)**	**–**	**(33)**	**–**	**(33)**
Retirement benefits: tax on actuarial losses	**–**	**–**	**–**	**10**	**–**	**10**	**–**	**10**
Exchange differences before recognition of net investment hedges	**–**	**–**	**–**	**–**	**(86)**	**(86)**	**–**	**(86)**
Net investment hedges recognised	**–**	**–**	**–**	**–**	**24**	**24**	**–**	**24**
Exchange differences recognised in the income statement on the disposal of businesses	**–**	**–**	**–**	**–**	**(72)**	**(72)**	**–**	**(72)**
Cash flow hedges recognised	**–**	**–**	**–**	**–**	**(35)**	**(35)**	**–**	**(35)**
Cash flow hedges transferred to inventory	**–**	**–**	**–**	**–**	**66**	**66**	**–**	**66**
Cash flow hedges transferred to the income statement	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Tax on cash flow hedges	**–**	**–**	**–**	**–**	**(9)**	**(9)**	**–**	**(9)**
Other comprehensive loss for the year	**–**	**–**	**–**	**(23)**	**(111)**	**(134)**	**–**	**(134)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**191**	**(111)**	**80**	**–**	**80**
Share options: value of services provided	**–**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
Share options: dividend equivalent	**–**	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Share options: proceeds from shares issued	**1**	**3**	**–**	**–**	**–**	**4**	**–**	**4**
Share options: tax	**–**	**–**	**–**	**2**	**–**	**2**	**–**	**2**
Dividends paid	**–**	**–**	**–**	**(128)**	**–**	**(128)**	**–**	**(128)**
At 31 December 2012	**565**	**992**	**351**	**286**	**93**	**2,287**	**–**	**2,287**

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Shareholders' equity £m	Non controlling interests £m	Total equity £m
At 1 January 2011	564	989	351	32	386	2,322	3	2,325
Profit for the financial year	–	–	–	376	–	376	–	376
Retirement benefits: actuarial losses	–	–	–	(104)	–	(104)	–	(104)
Retirement benefits: tax on actuarial losses	–	–	–	30	–	30	–	30
Exchange differences before recognition of net investment hedges	–	–	–	–	(30)	(30)	–	(30)
Net investment hedges recognised	–	–	–	–	14	14	–	14
Exchange differences recognised in the income statement on the disposal of businesses	–	–	–	–	(89)	(89)	–	(89)
Cash flow hedges recognised	–	–	–	–	(92)	(92)	–	(92)
Cash flow hedges transferred to inventory	–	–	–	–	(16)	(16)	–	(16)
Tax on cash flow hedges	–	–	–	–	28	28	–	28
Cost recognised in the income statement on annuitisation of certain pension related liabilities (net of tax)	–	–	–	–	3	3	–	3
Premium paid on annuitisation of certain pension related liabilities	–	–	–	(2)	–	(2)	–	(2)
Disposal of non controlling interests	–	–	–	–	–	–	(2)	(2)
Other comprehensive loss for the year	–	–	–	(76)	(182)	(258)	(2)	(260)
Total comprehensive income/(loss) for the year	–	–	–	300	(182)	118	(2)	116
Share options: value of services provided	–	–	–	8	–	8	–	8
Purchase of Rexam PLC shares by Employee Share Trust	–	–	–	(18)	–	(18)	–	(18)
Dividends paid	–	–	–	(111)	–	(111)	(1)	(112)
At 31 December 2011	564	989	351	211	204	2,319	–	2,319

NOTES

1 Basis of preparation of accounts

These accounts do not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011 but are derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies, and those for 2012 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

In preparing the consolidated financial statements, comparative amounts have been restated to reflect Personal Care within discontinued operations.

The Group presents underlying operating profit, underlying profit before tax and underlying earnings per share information as it believes these measures provide a helpful indication of its performance and underlying trends. The term underlying refers to the relevant measure being reported before exceptional items, the amortisation of certain acquired intangible assets and fair value changes on certain operating derivatives which are not hedge accounted and on financing derivatives. These measures are used by The Group for internal performance analysis and as a basis for incentive compensation arrangements for employees. The terms underlying and exceptional items are not defined terms under IFRS and may, therefore, not be comparable to similarly titled measures reported by other companies. They are not intended to be a substitute for, or be superior to, GAAP measurements of performance.

2 Segment analysis

For internal reporting, Rexam is organised into three operating segments for Beverage Cans based on the geographical locations of Europe and Asia, North America and South America, and one operating segment for Healthcare. For external reporting, the three operating segments for Beverage Cans are combined into one reportable segment. Beverage Cans comprise aluminium and steel cans for a wide variety of beverages including carbonated soft drinks, beer and energy drinks. Healthcare comprises rigid plastic devices and packaging for customers in the healthcare markets.

During the year, Personal Care (comprising the Cosmetics, Toiletries and Household Care products business and the High Barrier Food packaging business) has been reported within discontinued operations in the segment information set out below. Previously, Personal Care and Healthcare comprised the Plastic Packaging segment.

2012	Sales £m	Underlying operating profit £m	Underlying return on sales %	Underlying return on net assets %	Exceptional and other items[1] £m	Profit £m
Continuing operations						
Beverage Cans	**3,885**	**456**	**11.7**	**32.7**	**4**	**460**
Healthcare	**427**	**48**	**11.2**	**26.0**	**(20)**	**28**
Total reportable segments	**4,312**	**504**	**11.7**	**32.0**	**(16)**	**488**
Exceptional items not allocated to reportable segments						**(28)**
Operating profit						**460**
Share of post tax profits of associates and joint ventures						**9**
Retirement benefit obligations net finance cost						**(14)**
Net interest expense						**(101)**
Profit before tax						**354**
Tax						**(90)**
Profit for the financial year from continuing operations						**264**
Discontinued operations						
Loss for the financial year from discontinued operations (note 4)						**(50)**
Total profit for the financial year						**214**

2011 – restated	Sales £m	Underlying operating profit £m	Underlying return on sales %	Underlying return on net assets %	Exceptional and other items[1] £m	Profit £m
Continuing operations						
Beverage Cans	3,786	447	11.8	31.6	(7)	440
Healthcare	446	65	14.6	38.2	(28)	37
Total reportable segments	4,232	512	12.1	32.3	(35)	477
Share of post tax profits of associates and joint ventures						9
Retirement benefit obligations net finance cost						(16)
Net interest expense						(68)
Profit before tax						402
Tax						(113)
Profit for the financial year from continuing operations						289
Discontinued operations						
Profit for the financial year from discontinued operations (note 4)						87
Total profit for the financial year						376

1 Other items comprise the amortisation of certain acquired intangible assets and fair value changes on certain operating derivatives.

3 Exceptional items – continuing operations

	2012 £m	2011 £m
Restructuring	**(29)**	(14)
Impairment of property, plant and equipment (net of reversals)	**(4)**	(2)
Exceptional items before tax	**(33)**	(16)
Tax on exceptional items	**9**	4
Total exceptional items after tax	**(24)**	(12)

Exceptional items before tax for 2012 comprise £29m for restructuring costs (including £16m for onerous leases and £7m of environmental provisions) and £5m for impairment of property, plant and equipment that arose as a consequence of the disposal of Personal Care, offset by a £1m reversal of a previous impairment.

Exceptional items before tax for 2011 comprise £9m for restructuring costs and £2m for impairment of property, plant and equipment in respect of previously announced plant closures and restructuring of some of the remaining continuing businesses following the disposal of Closures. They also include £5m of restructuring costs in Beverage Cans in respect of previously announced plant closures.

4 Discontinued operations

The sale of the Personal Care High Barrier Food packaging business completed on 31 August 2012 and the sale of the Personal Care Cosmetics, Toiletries and Household Care products business completed on 31 December 2012. In the period from 1 June 2012 to the respective dates of completion, in accordance with IFRS5 'Non Current Assets Held for Sale and Discontinued Operations', Personal Care was classified in the consolidated balance sheet within assets and liabilities classified as held for sale. The sale of Closures completed on 1 September 2011.

(i) Summary of results	2012 Personal Care £m	2011 Personal Care £m	2011 Closures £m	2011 Total restated £m
Sales	**448**	502	205	707
Operating expenses	**(610)**	(472)	(231)	(703)
Underlying operating profit	**33**	37	13	50
Exceptional items (note ii)	**(192)**	–	(39)	(39)
Amortisation of certain acquired intangible assets	**(3)**	(7)	–	(7)
Operating (loss)/profit	**(162)**	30	(26)	4
Interest expense	**(1)**	(1)	–	(1)
(Loss)/profit before tax	**(163)**	29	(26)	3
Tax on underlying profit	**(15)**	(17)	(5)	(22)
Tax on exceptional items (note ii)	**2**	–	13	13
Tax on amortisation of certain acquired intangible assets	**1**	2	–	2
Tax	**(12)**	(15)	8	(7)
(Loss)/profit after tax	**(175)**	14	(18)	(4)
Profit on disposal (note iii)	**125**	–	91	91
Net (loss)/profit	**(50)**	14	73	87

(ii) Exceptional items	2012 Personal Care £m	2011 Closures £m
Impairment of businesses	**(181)**	(28)
Other impairments	**(2)**	(6)
Restructuring	**(9)**	(5)
Exceptional items before tax	**(192)**	(39)
Tax on impairment of businesses	**3**	10
Tax on other impairment and restructuring	**(1)**	3
Exceptional items after tax	**(190)**	(26)

(iii) Profit on disposal	2012 Personal Care £m	2012 Closures £m	2012 Total £m	2011 Closures £m
Gross proceeds	**430**	**–**	**430**	217
Cash costs	**(26)**	**(5)**	**(31)**	(10)
Cash and cash equivalents disposed	**(7)**	**–**	**(7)**	(2)
Net cash inflow in the cash flow statement	**397**	**(5)**	**392**	205
Net assets disposed (net of tax)	**(325)**	**–**	**(325)**	(197)
Accrued costs	**(19)**	**5**	**(14)**	(6)
Exchange differences recognised in the income statement on disposal	**72**	**–**	**72**	89
Profit on disposal	**125**	**–**	**125**	91

Total costs with respect to Personal Care of £45m comprise £20m of transaction costs and £25m of other costs directly related to the disposal.

5 Retirement benefit obligations

	UK defined benefit pensions £m	US defined benefit pensions £m	Other defined benefit pensions £m	Total defined benefit pensions £m	Other pensions £m	Total pensions £m	Retiree medical £m	Gross retirement benefit obligations £m
At 1 January 2012	**(13)**	**(350)**	**(44)**	**(407)**	**(19)**	**(426)**	**(114)**	**(540)**
Exchange differences	**–**	**17**	**1**	**18**	**1**	**19**	**6**	**25**
Service cost – continuing operations	**(8)**	**(6)**	**(1)**	**(15)**	**(8)**	**(23)**	**(2)**	**(25)**
Service cost – discontinued operations	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
Net finance cost	**(1)**	**(6)**	**(2)**	**(9)**	**–**	**(9)**	**(5)**	**(14)**
Actuarial losses	**(12)**	**(14)**	**(7)**	**(33)**	**–**	**(33)**	**(2)**	**(35)**
Cash contributions and benefits paid	**14**	**34**	**3**	**51**	**9**	**60**	**10**	**70**
Other movements	**–**	**2**	**–**	**2**	**–**	**2**	**–**	**2**
Transfer to liabilities classified as held for sale	**–**	**–**	**–**	**–**	**3**	**3**	**–**	**3**
At 31 December 2012	**(20)**	**(323)**	**(50)**	**(393)**	**(16)**	**(409)**	**(107)**	**(516)**
Restated:								
At 1 January 2011	19	(315)	(38)	(334)	(18)	(352)	(111)	(463)
Exchange differences	–	(1)	1	–	–	–	(1)	(1)
Service cost – continuing operations	(7)	(5)	(1)	(13)	(8)	(21)	(1)	(22)
Service cost – discontinued operations	–	–	–	–	(3)	(3)	–	(3)
Net finance (cost)/credit	11	(15)	(2)	(6)	–	(6)	(6)	(12)
Actuarial losses	(68)	(27)	(7)	(102)	–	(102)	(4)	(106)
Cash contributions and benefits paid	32	11	3	46	10	56	9	65
Other movements	–	2	–	2	–	2	–	2
At 31 December 2011	(13)	(350)	(44)	(407)	(19)	(426)	(114)	(540)

	2012 £m	2011 £m
Gross retirement benefit obligations	**(516)**	(540)
Tax	**161**	169
Net retirement benefit obligations	**(355)**	(371)

In addition to the £12m net finance cost for 2011 set out above, there was also a £4m transfer from the available for sale financial assets reserve relating to market value losses transferred to the consolidated income statement following the annuitisation of certain pension obligations. This gave a total net finance cost for 2011 of £16m as disclosed in the consolidated income statement.

Principal actuarial assumptions

	UK 2012 %	US 2012 %	Other 2012 %	UK 2011 %	US 2011 %	Other 2011 %
Future salary increases	**4.60**	**4.00**	**2.84**	**4.60**	4.00	3.10
Future pension increases	**3.10**	**–**	**1.27**	**3.10**	–	1.32
Discount rate	**4.40**	**3.30**	**3.76**	**4.70**	4.00	4.54
Inflation rate	**3.10**	**2.50**	**2.00**	**3.10**	2.50	2.00
Expected return on plan assets (net of administration expenses):						
Equities	**6.04**	**7.35**	**6.50**	**6.11**	7.46	7.00
Bonds	**3.24**	**3.45**	**2.20**	**3.51**	4.46	3.60
Cash and other	**0.34**	**2.65**	**0.20**	**0.31**	2.56	0.20

To develop the expected return on plan assets assumptions, the Group considered the current level of expected returns on risk free investments, primarily government bonds, the historical level of the risk premium associated with the asset class concerned and the expectations for future returns of the asset class. The resulting returns for equities, bonds and cash were then reduced to allow for administration expenses.

The mortality assumptions used in valuing the liabilities of the UK pension plan are based on the standard tables S1NA as published by the Institute and Faculty of Actuaries. These tables are adjusted to reflect the circumstances of the plan membership. The life expectancy assumed for a 65 year old pensioner is 87.0 years (2011: 86.9 years) for a male and 89.2 years (2011: 89.1 years) for a female. The life expectancy for a non pensioner currently aged 45 is 88.8 years (2011: 88.7 years) for a male and 91.0 years (2011: 90.9 years) for a female. The mortality assumptions used in valuing the liabilities of the US pension plans are based on the RP2000 combined active and retiree mortality table projected to 2017 (2011: 2017), weighted 70% blue collar and 30% white collar. The life expectancy assumed for a 65 year old pensioner is 83.6 years (2011: 83.6 years) for a male and 85.7 years (2011: 85.7 years) for a female.

The mortality assumptions used in valuing the liabilities for retiree medical are based on the RP2000 combined active and retiree mortality table projected to 2017 (2011: 2017), weighted 85% blue collar and 15% white collar. The life expectancy assumed for a 65 year old pensioner is 83.4 years (2011: 83.4 years) for a male and 85.5 years (2011: 85.5 years) for a female.

6 Earnings/(loss) per share

(i) Basic and diluted earnings/(loss) per share

	Basic 2012 Pence	Diluted 2012 Pence	Basic 2011 restated Pence	Diluted 2011 restated Pence
Continuing operations	**30.3**	**30.0**	33.1	32.9
Discontinued operations	**(5.7)**	**(5.7)**	10.0	9.9
Total	**24.6**	**24.3**	43.1	42.8

	2012 £m	2011 restated £m
Profit/(loss) for the financial year attributable to equity shareholders of Rexam PLC		
Continuing operations	**264**	289
Discontinued operations	**(50)**	87
Total	**214**	376

	2012 Millions	2011 Millions
Weighted average number of shares in issue	**869.9**	872.6
Dilution on conversion of outstanding share options	**11.0**	6.2
Weighted average number of shares in issue on a diluted basis	**880.9**	878.8

(ii) Underlying earnings per share

	2012 Pence	2011 restated Pence
Continuing operations	**35.5**	33.9
Discontinued operations	**2.0**	3.1
Total	**37.5**	37.0

	2012 Continuing operations £m	2012 Discontinued operations £m	2011 Continuing operations restated £m	2011 Discontinued operations restated £m
Underlying profit before tax	**418**	**32**	414	49
Tax on underlying profit	**(109)**	**(15)**	(118)	(22)
Underlying profit for the financial year	**309**	**17**	296	27

Underlying earnings per share is based on underlying profit for the financial year attributable to shareholders of Rexam PLC divided by the weighted average number of shares in issue. Underlying profit for the financial year is profit before exceptional items, the amortisation of certain acquired intangible assets and fair value changes on certain derivatives.

7 Equity dividends

	2012 £m	2011 £m
Interim dividend for 2012 of 5.0p paid on 4 September 2012	**44**	–
Final dividend for 2011 of 9.7p paid on 7 June 2012	**84**	–
Interim dividend for 2011 of 4.7p paid on 4 October 2011	**–**	41
Final dividend for 2010 of 8.0p paid on 7 June 2011	**–**	70
	128	111

A final dividend per equity share of 10.2p has been proposed for 2012 and, subject to shareholder approval, is payable on 22 May 2013. The proposed final dividend has not been accrued in these accounts.

8 Net borrowings

Net borrowings at 31 December by instrument.

	2012 £m	2011 £m
Cash and cash equivalents	**1,307**	412
Bank overdrafts	**(58)**	(10)
Bank loans	**(35)**	(32)
US public bond	**(341)**	(357)
US private placements	**(510)**	(147)
Subordinated bond	**(731)**	(736)
Medium term notes	**(537)**	(556)
Pension escrow investment	**10**	–
Financing derivatives	**114**	114
	(781)	(1,312)

Movement in net borrowings.

	2012 £m	2011 £m
At 1 January	**(1,312)**	(1,684)
Exchange differences	**77**	29
Disposal of subsidiaries	**14**	–
Increase in cash and cash equivalents	**866**	300
Proceeds from borrowings	**(401)**	(7)
Repayment of borrowings	**5**	36
Pension escrow investment	**10**	–
Fair value and other changes	**(40)**	14
At 31 December	**(781)**	(1,312)

Reconciliation of net borrowings to the consolidated balance sheet.

	2012 £m	2011 £m
Total derivative financial instruments (net)	**98**	59
Derivatives not included in net borrowings	**16**	55
Financing derivatives included in net borrowings	**114**	114
Pension escrow investment	**10**	–
Cash and cash equivalents	**1,307**	412
Borrowings included in current liabilities	**(1,106)**	(53)
Borrowings included in non current liabilities	**(1,106)**	(1,785)
	(781)	(1,312)

Derivative financial instruments comprise financing derivatives relating to underlying items of a financial nature (interest rate swaps, cross currency swaps and forward foreign exchange contracts) and other derivatives not included in net borrowings and relating to business transactions (forward commodity contracts and forward foreign exchange contracts).

The pension escrow investment is included within net borrowings as the directors consider that until any amounts held in the escrow investment become due to the UK pension plan they should be treated as cash held on deposit for the purpose of the definition of net borrowings.

9 A copy of the information to be provided to financial analysts is available on request from the Company Secretary, Rexam PLC, 4 Millbank, London SW1P 3XR and is also on Rexam's website, www.rexam.com.

10 The Annual Report 2012 will be published on www.rexam.com at the end of March 2013. At that time the Annual Report 2012 will be mailed to those shareholders who have elected to receive it. Otherwise, shareholders will be notified that the Annual Report 2012 is available online and will, at the time of that notification, receive a Proxy Form together with the Notice of Annual General Meeting 2013.