

ANNUAL REPORT

2014



AT A GLANCE

WHO WE ARE

Rexam is a leading global beverage can maker. We are based in the UK, but have factories across five continents.

WHAT WE DO

We make cans... all sorts of cans, in different shapes and sizes with different finishes, decorations and ends so that our customers can delight their consumers.

We make cans... as efficiently and sustainably as possible to keep cost and impacts down.

We make cans... the most recycled beverage package in the world to minimise material use and reduce waste.

WHERE

The Americas

Our North American operations consist of 18 beverage can plants and end making plants (including joint ventures in Guatemala and Panama). We are the second largest can maker in the region. Headquarters are in Chicago, IL.

We are the no 1 beverage can maker in South America and specifically Brazil, the largest market in the region. Our 12 plants are strategically located to capture growth and optimise asset utilisation. Headquarters are in Rio de Janeiro.

No of employees: 3,900

2014 IN NUMBERS

8,000

Average number of employees in 2014
See below and page 29.

3%

Reduction in carbon intensity per standardised can
2014 vs 2013

64bn

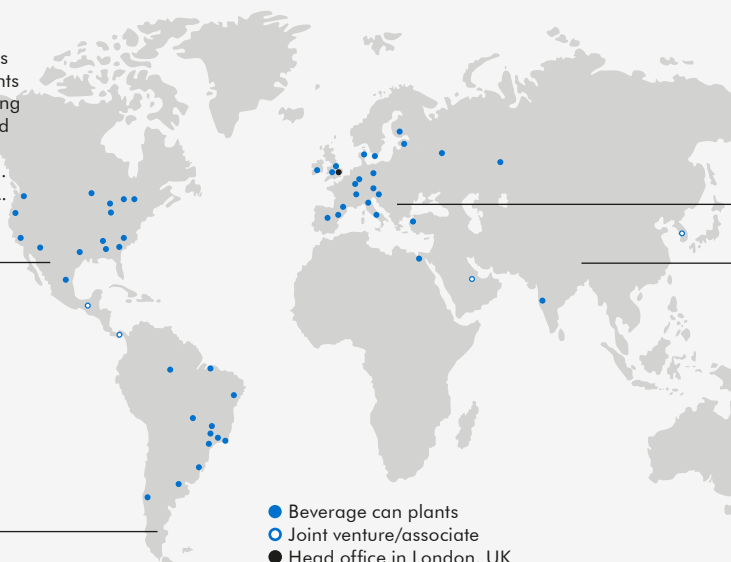
Cans made by Rexam in 2014
Of an estimated 310bn cans made globally

Europe & Rest of World

We are the no 1 can maker in Europe. Our European operations, which comprise 20 beverage can plants and end making plants, have their regional headquarters in Luton, UK.

In 2013, we established a separate business to focus on faster growing and emerging markets. The business is based in Dubai and has plants in Turkey, Egypt, India and Saudi Arabia, as well as an associate in South Korea.

No of employees: 4,100



CONTENTS

FINANCIAL HIGHLIGHTS

£3,832m £418m

Sales

From continuing operations

See page 30 for five year performance.

Underlying operating profit

From continuing operations

See page 142 for five year performance.

£402m

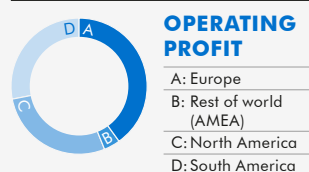
Statutory operating profit

See page 41 for details of statutory performance.

17.7p

Total dividend for the year

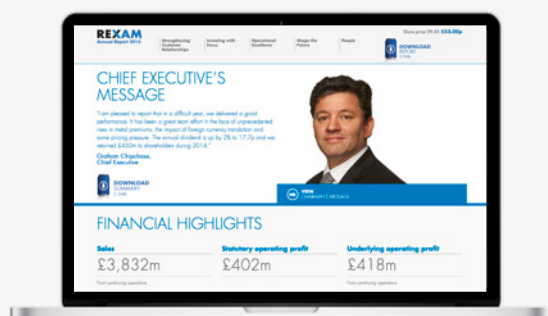
Subject to shareholder approval at the Annual General Meeting on 28 April 2015.



FIND OUT MORE ONLINE

On our website you will find an interactive version of the annual report 2014. You will also find annual reports from previous years (dating back to 1999) as well as investor presentations, publications and other material on Rexam, its markets and business.

www.rexam.com



STRATEGIC REPORT

Chairman's statement	2
Market review	4
Chief executive's review	8
Business model	16
Our strategic priorities	18
Key performance indicators	30
Risk management	32
Financial review	40

GOVERNANCE

Chairman's letter	47
Corporate governance	48
Directors' remuneration report	65
Directors' report	84

FINANCIAL STATEMENTS

Consolidated financial statements	87
Five year financial summary	142
Company financial statements	143
Shareholder information	154
Addresses	156

DISCLOSURE

The annual report 2014 may contain 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 annual report 2014 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 annual report 2014, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this annual report 2014 should be construed as a profit forecast.

Rexam PLC is registered and domiciled in England and Wales: company number 191285.

BALL OFFER

On 19 February 2015, the boards of Ball Corporation and Rexam announced that they had reached agreement on the terms of a recommended offer for the entire issued and to be issued ordinary share capital of Rexam by Ball. See also pages 2 and 47.

This offer is subject to a regulatory pre condition and other conditions as set out in the announcement released on 19 February 2015, a copy of which has been sent to shareholders and other persons entitled to receive it.

CHAIRMAN'S STATEMENT



On 19 February 2015, the boards of Ball Corporation (Ball) and Rexam announced that they had reached agreement on the terms of a recommended offer for the entire issued and to be issued ordinary share capital of Rexam by Ball. In recent years Rexam's management team has led a transformation of the Group, returning approximately £1.5bn of cash to shareholders since 2010 and creating a focused beverage can maker with a promising future. Notwithstanding that, the Rexam board believes that consolidation in the beverage can industry will bring an enhanced ability to serve the demands of our increasingly global customers and would represent a compelling opportunity for our shareholders. I will now turn to matters concerning 2014.

17.7p

2% increase in total dividend

The board is proposing a final dividend of 11.9p per share, making a total dividend of 17.7p per share for the year. Subject to shareholder approval, we intend to pay the final dividend on 27 May 2015 to shareholders on the register on 1 May 2015.

£450m

Cash return

In 2014, following the successful sale of our Healthcare packaging business, we returned £450m of cash to shareholders.

2014 IN SUMMARY

Like many other UK based global companies we were buffeted by foreign exchange translation during 2014. On a constant currency basis, however, we continued to grow profits despite the impact of an unprecedented rise in aluminium premiums and an economic environment which may prove to be the new reality.

The full report of our performance is on pages 40 to 46. That we made progress in such tough conditions is testament to the strength and resolve of everyone at Rexam, from Graham Chipchase and the executive leadership, to the management teams and employees across the business. Hard work and adherence to our core values helped shape our performance. They will also help us as we move forward.

DELIVERING VALUE

We are conscious of the need to balance the long term capital investment requirements for tomorrow with the rewards for shareholders today. Returns to shareholders are a key constituent of our investment proposition and, within this, the dividend is a core element. Subject to shareholder approval, we intend to pay a final dividend of 11.9p

on 27 May 2015 to shareholders on the register on 1 May 2015. This takes the total dividend for 2014 to 17.7p, up 2% from last year.

During the year, we also returned value to shareholders through the £450m return of cash following the completion of the sale of the Healthcare packaging business. (See also page 44.) As we have said before, we will return surplus cash as additional distributions if we do not find the opportunities for investment with the right levels of return.

We expect to sustain the dividend in 2015 despite the fact that our free cash flow generation will be constrained by the plans we have for the business (see page 15) as well as by trading headwinds. We measure value not only in economic terms. We also identify and prioritise issues that concern our internal and external stakeholders such as environmental and societal issues so that we can align ourselves to their priorities and expectations. During the year, we progressed our thinking in these areas with a new materiality study involving a broad base of stakeholders, including customers, suppliers and relevant NGOs. The result is a new sustainability framework and a set of metrics that will enable us to measure our progress for the period 2014–2020 in three main areas of focus: products, operations and people. You can read more about this on page 9.

INVEST WITH DISCIPLINE

Our capital expenditure in 2014 remained within our guidelines. We are disciplined in our financial choices, selecting the options that can help best meet customer demand and generate value. The board works with the leadership team to ensure the Group spends its capital allocation wisely and that investments deliver good returns. Timely execution of projects is key, and it is encouraging to see that the investments we have made in recent years, for example, bolstering our capabilities in the energy drinks sector, investing in extra capacity in the Africa, Middle East and Asia (AMEA) business, the new plant in the Nordic market and the conversion to more specialty can lines in Brazil and Chile, have all progressed and are delivering the results we expected.

LIMITED EDITION WORLD CUP CANS

The football designs on Jim Beam Bourbon & Cola in Germany for the FIFA World Cup used Rexam's innovative Editions™ technology which allows multiple designs of the same label to be printed simultaneously on one pallet. Targeting football fans and their passion for the national team, the cans show silhouette images of German football players, along with common German football phrases. The cans also had a 'collect and win' promotion using a red coloured tab with a unique promotional engraving underneath. See more World Cup cans on page 21.

▼ The FIFA World Cup proved a popular theme in 2014.



PRIORITIES AND PRINCIPLES

Our aim is to help make Rexam the best beverage can company in the world. Our first priority is to ensure that we run a safe operation. I am very glad to report that our safety record improved significantly on last year (see page 31). Sadly, there was a fatality at the newly acquired United Arab Can (UAC) plant in Saudi Arabia before we took control. It is a stark reminder that danger is ever present. It demonstrates that we need to challenge ourselves continually to ensure that anybody working at or with Rexam can return home to their family and friends safely at the end of each and every working day.

We also need to be trustworthy: businesses are subject to ever intensive scrutiny by the media, politicians and NGOs, and expectations of companies such as ours are, with every good reason, very high. We need to work hard and consistently to maintain people's trust and respect. I believe we are doing just that through our adherence to strong governance principles and our transparency and willingness to engage.

The board's duty is to ensure that the principles on matters such as leadership, board effectiveness, financial accountability and risk management underpin everything we do and are rigorously applied. You will find more on page 47 but throughout 2014, as a board we continued to challenge each other to ensure the quality of our decisions. In the annual effectiveness review, the progress we are making against our goals, our collective and individual effectiveness, and the independence of our non executive directors were all scrutinised and found to be satisfactory. Effective risk management is central to us achieving our strategic objectives: in this respect, all our decisions (from succession planning to capital investments) were discussed within the context of the risks involved. And in terms of engagement, there were a number of meetings throughout the year to maintain strong relationships and an open dialogue with both private and institutional investors.

BOARD AND LEADERSHIP CHANGES

My ambitions for the composition of the board are, as before, to broaden the range of expertise, experience and diversity. Part of our duty is to ensure effective succession plans are in place.

On 10 June 2014, we were delighted to welcome Carl-Peter Forster to the board as a non executive director. Carl-Peter is the former Chief Executive of Tata Motors (parent of Jaguar Land Rover and part of the global Tata Group) and previous to that he was Group VP and Regional President of GM Europe. He also spent 15 years in various senior management roles at BMW AG. His considerable operational and manufacturing expertise and the knowledge and experience gained as a leader in global organisations are real assets to our board discussions.

Jean-Pierre Rodier stepped down from the board in May 2014 after nine years. I would again like to recognise Jean-Pierre for his outstanding contribution, and in particular for his role as chairman of the remuneration committee for the last two and a half years. I am also pleased to confirm that Ros Rivaz replaced Jean-Pierre as chair on his departure. Within our executive leadership team, Rich Grimley, who has been with Rexam since 2001 and in charge of our North American beverage can operations since 2012, assumed the role of Group Director of Operations at the start of 2015, based in the UK. His brief is to lead the manufacturing activity for the Group, ensuring that we maintain our tireless pursuit of operational excellence and achieve cost leadership. He is succeeded in the North American team by Claude Marbach who has more than 20 years' experience in our business and who most recently was VP Sales and Marketing for North America.

PREPARING FOR THE FUTURE

The Ball offer for Rexam is indicative of the changes that our industry is going through. Customers are using their global presence to lower prices. They are also demanding levels of flexibility that stretch the limits of can making capabilities in an industry whose profitability is essentially based on long runs of one size of can and simple delivery models.

We must and will continue to pursue our own plans as an independent company to confront these challenges and ensure that we are positioned to compete. We are in a strong position financially and we have skilled and capable people. On page 15, Graham lays out these plans and, while we expect to see some benefit in 2016, their impact will only be fully felt in 2017. The milestones we set will be an important measure of progress and, as a board, we will be monitoring them closely.

That said, our record shows that once set a task, Rexam delivers. I am confident that the long term drivers that underpin our market remain in place and that these, along with our programme to revitalise our operations, will ensure progress and deliver continued value to shareholders, customers and employees as well as wider stakeholder groups.

Stuart Chambers
Chairman

12 March 2015

MARKET REVIEW

The global beverage market is large and growing. In 2014, around 1.9 trillion litres of packaged beverages were consumed across the world, an increase of 3% compared with 2013. The beverage can is helping to drive that growth.

THE GLOBAL BEVERAGE MARKET

While the average consumer drinks around 270 litres of beverages a year, consumption levels and growth rates differ widely by beverage category and region. North America remains the largest market for beverages, with consumption at 577 litres per capita while average rates in Africa, the Middle East and Asia (AMEA) are well below the global average. The low consumption regions are expected to achieve the strongest growth in coming years, especially AMEA.

Carbonated soft drinks (CSD) and beers are well established beverage categories and one of the largest globally in terms of consumption along with packaged water, milk and hot drinks. In 2014, the beer category continued to grow at an annual rate of around 2%, while CSD volumes increased by less than 1%. The fastest growth rates over the next three years are expected from smaller categories such as energy drinks, iced ready to drink (RTD) tea and coffee and flavoured alcoholic beverages (FABs), but also from the large and high growth packaged water category. (See charts 1 and 2 opposite.)

Globally, more than 1.5 trillion units of beverage packaging were sold in 2014, an increase of 5% versus 2013. Glass still accounts for the biggest share of the market closely followed by PET and then beverage cans, with the remainder packaged in a mix of cartons, pouches, sachets and other pack types. Cans and PET have been growing fast at respectively 3% and 7% per year over the past five years, gaining share over glass. (See chart 3 opposite.)

THE GLOBAL BEVERAGE CAN MARKET

The beverage can market comprises about 90% aluminium cans and 10% steel cans. There is a continued move from steel to aluminium, and steel cans are now only used in some parts of AMEA and Brazil. Moreover, nearly all beverage cans used in North America and Europe are two piece cans but some three piece beverage cans are still used in China and South East Asia.

Rexam estimates that around 310 billion beverage cans were consumed globally in 2014. Beer and CSD account for the vast majority of consumption, but an increasing number of consumers are drinking other beverage categories such as energy drinks, cider, iced RTD tea and coffee, FABs, flavoured and sparkling water and milk from a can. Craft beer is also growing strongly, especially in North America and Europe. (See chart 3 opposite.)

Industry trends vary significantly region to region according to different market dynamics. The world's largest two piece market by far, North America, continues to show a slow controlled decline in the CSD market. This is being partially offset by the growth in cans for beer, energy, RTD tea, and specialty categories. Brand owners seek pack differentiation and shelf appeal in the more mature markets of North America, Europe and Japan and we can expect an increase in niche markets for specialty cans (such as Sleek, Big Cans and sizes other than standard 12oz cans).

The major growth areas in terms of new plants and new production lines have been in the developing parts of the world particularly in China, South East Asia, Brazil, Middle East and Africa. The rapid expansion of modern retail in these markets supports can growth versus returnable glass packaging. Moreover, current low levels of can consumption per capita in markets such as India (1 can per capita in 2014) compared with North American and West European averages (respectively 315 and 86 cans per capita in 2014) suggest major long term growth opportunities. We also continue to see can growth in mature markets driven by share gains from glass packaging and by the consumption shift from 'on trade' to 'off trade' channels, where cans are the preferred packaging.

CAN ADVANTAGE

The advantages of the can are well documented: cans are unbreakable, light, quick to chill and offer great visibility on the shelf with 360 degree branding. Cans also support long product shelf life, they protect from light and oxygen and keep the beverage fresh and safe to drink. They are suitable for all beverages, either carbonated or still, alcoholic or soft drinks. They are also convenient for the retailer with high cubic efficiency for transport and are easy to stack on shelves. Furthermore, beverage cans can be recycled forever. (See page 26.)

THE GLOBAL PLAYERS

The global beverage can market has three major players, Rexam, Ball and Crown, who together account for over 60% of the global supply of beverage cans. Can-Pack has emerged as a strong regional player in recent years and accounts for some 4% of global supply. Excluding Japan and Australia, two geographically isolated markets, the three largest players account for over 70% of the market. (See chart 6 opposite.)

77%

Percentage of turnover derived from Rexam's top 10 customers

ABInBev	Heineken
Arizona	Monster
Carlsberg Group	Pepsi
Coca-Cola	Petropolis
CCU	Red Bull

KEY CUSTOMERS

Rexam's customers include large global and regional beverage companies in soft drinks and alcoholic drinks with a diverse geographic footprint. (See table left.)

One of their key challenges is profitable growth in a world which is growing at a slower pace than before. The slowdown in mature markets has put pressure on prices and margins, and emerging markets are proving no less competitive as local champions and multinationals fight for position.

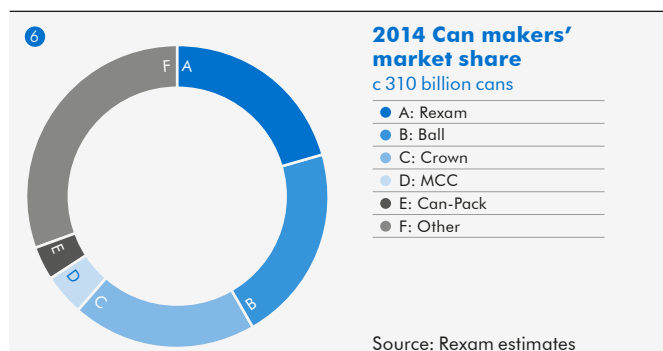
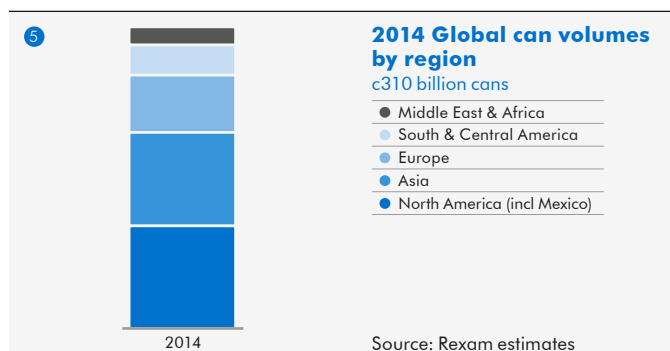
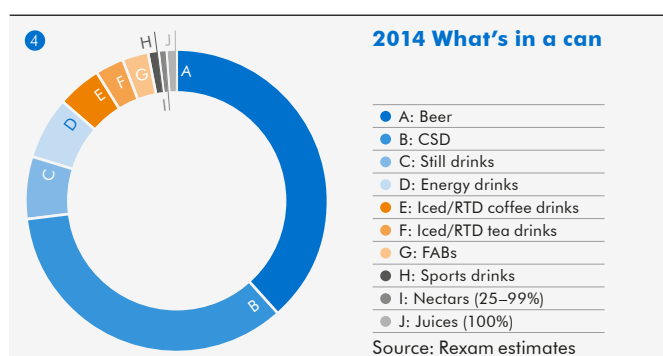
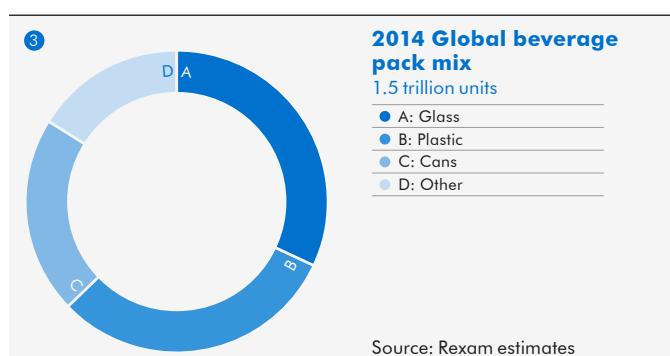
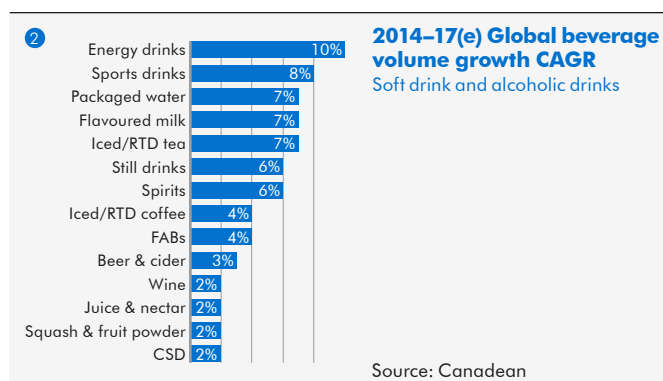
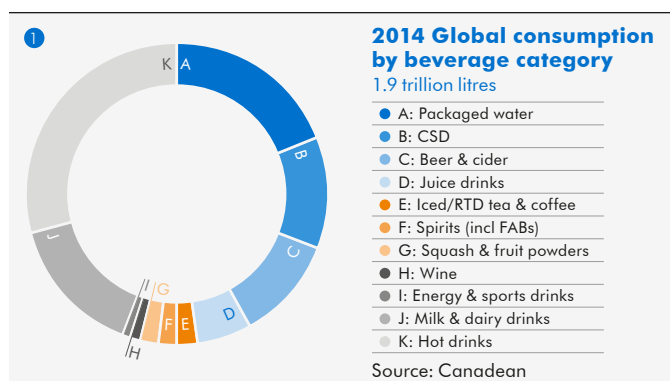
The consolidation trend among the beverage producers industry continued in 2014 with a number of new strategic partnerships aimed at increasing market share, expansion into new and emerging markets and at the reduction of costs by leveraging both suppliers and distributors.

In developed markets, the trend is towards finding ways for our customers to continue to capture consumers' 'share of throat'. Our customers are increasingly focused on innovation to differentiate their products in a crowded and lower growth marketplace.

Innovation is taking place in areas such as beverage categories, consumer segments, drinking occasions and channels using pack size, shape and decoration as differentiators.

In emerging markets, the challenge is more around different pack types to access myriad consumer segments, price points, beverage categories and channels.

To address customers' needs, Rexam has increased its focus on innovation. We have internal structures, governance and areas of activity in place to address the strategic priority of innovation. We participate earlier in the technology value chain and allocate part of our innovation funds to earlier stage development to help academic ideas come to commercial fruition. We also develop partnerships with existing and new suppliers to concentrate on new technologies with potential for creating competitive advantage. (See also pages 9 and 10.)



MARKET REVIEW

CONTINUED

Consumer trends are changing: not simply what they drink but where they drink it and what they expect the packaging to deliver above and beyond traditional expectations.

As a leading global beverage can maker, Rexam stays in tune with the main trends (seen in the table below and opposite), adapting as needed so that it can continue to ensure that the beverage can remains a package of choice for our own customers.

Consumer trends	How Rexam cans address these growing trends
Health and wellbeing: <ul style="list-style-type: none"> • Healthy nutrition • Product safety 	<ul style="list-style-type: none"> • Cans are available in a variety of smaller sizes and slim shapes, supporting portion control and single serve consumption. • Cans are suitable for all beverages, including juices, iced ready to drink (RTD) tea and coffee, and flavoured and sparkling water. • Cans support long product shelf life. They protect from light and oxygen, and keep the beverage fresh and, being tamper evident, safe to drink.
Easy and convenient: <ul style="list-style-type: none"> • Easy to buy • Easy to consume 	<ul style="list-style-type: none"> • Cans are available for multiple channels (eg vending machines, convenience stores, hypermarkets) and in multiple sizes and formats to suit a wide range of consumer occasions (at home, on the go, with food, etc). • Rexam offers thermochromic inks on cans to signal to the consumer when the product is at its optimum drinking temperature. • Cans provide RTD packaging.
Individualism/customisation: <ul style="list-style-type: none"> • Novelty, fun and experience • Personalised packaging 	<ul style="list-style-type: none"> • Rexam's Standard Editions™ and Super Premium Editions™ technologies¹ allow between 6 to 24 variable print designs on the can (eg names, city photos) for enhanced marketing opportunities. • Cans have 360° branding capability for enhanced visibility on shelf. • Rexam can easily print QR codes and augmented reality (AR) features on a can, ideal for enabling social media interaction.
Premium and affordable: <ul style="list-style-type: none"> • Premiumisation • Modern contemporary look • Affordability 	<ul style="list-style-type: none"> • Rexam uses a combination of printing technologies (eg high definition printing, tactile, debossing, sparkling, thermochromic inks) and decorative effects as well as a variety of can ends and tabs (coloured, laser engraved, cut out tabs) to achieve a premium and contemporary look. • Rexam's Fusion® aluminium bottle (250ml and 330ml) is ideal for premium products and special editions. • Cans offer affordable options when retailed in multipacks and smaller pack sizes.
Sustainability: <ul style="list-style-type: none"> • Sustainable production • Easy to recycle 	<ul style="list-style-type: none"> • The can is a highly efficient and economic package to produce, fill and distribute. Lightweight, cubic efficient and unbreakable, the can protects the product perfectly. • The can is the most recycled beverage packaging in the world. Cans are infinitely and 100% recyclable with no loss of quality. Cans have the ability to be recycled back into new cans and on the shelf within 60 days.

¹ Patent pending.

NEW BEVERAGE CATEGORIES

The traditional categories of CSD, beer and energy drinks represent the majority of Rexam's volumes.

In a world with a maturing traditional CSD category, fast growing beverage categories such as juices, dairy, flavoured alcoholic beverages and nutritious drinks offer an exciting growth path and diversification of our customer base.

In 2014, there were c 17,000 NPD (new product developments) launched in Rexam markets.

Around 2,300 were in cans (13.5%).

The can offers customers the opportunity for product differentiation on crowded retail shelves, where plastic bottles dominate in soft drinks, and provides a viable alternative to the more premium types of glass packaging.



CSD

Coca-Cola

Switzerland (Sleek 25cl)

QR code

Standard Editions™¹



SPARKLING WATER

Perrier, Nestlé

Germany (Sleek 25cl)

SPARKLING WATER

Bisleri Soda, Bisleri

India (Sleek 25cl)

SPARKLING FLAVOURED WATER

La Croix, National

Beverage Corp.

US (Sleek 12oz)



ENERGY DRINKS

Lotus Elixirs

US (Sleek 12oz)

Tactile printing



FLAVOURED MILK

MIO, Alcon Group

Russia (Sleek 33cl)

ICED RTD COFFEE

Marley's One Drop, Marley Beverages

US (Sleek 12oz)

ICED RTD TEA

NamasTea, Arbor Brasil

Brazil (Std 33cl) HD printing

CRAFT BEER

Four Pure

UK (Std 33cl) Matt OV

Six Point

US (Cap-Can 24oz)

NON ALCOHOLIC BEER

Bavaria Radler 0%

Germany (Fusion® 25cl)

FABS

Mang-O-Rita, ABInBev

US (Sleek 8oz)

Straw-Ber-Rita, ABInBev

US (Std 25oz)

Mike's Hard Lemonade

US (Sleek 8oz)



¹ Patent pending.

CHIEF EXECUTIVE'S REVIEW



I am pleased to report that in a difficult year, we delivered a good performance. It has been a great team effort in the face of unprecedented rises in metal premiums, the impact of foreign currency translation and some pricing pressure. The annual dividend is up by 2% to 17.7p and we returned £450m to shareholders during 2014 following the sale of our Healthcare business.

A full review of the underlying and statutory results can be found on pages 40 to 46.

FOCUSED INVESTMENT

Our ultimate aim as a Company is to balance growth and returns to shareholders through focused and disciplined organic investment and bolt on acquisitions. During 2014, we continued to invest in new growth markets and in our capabilities to manufacture new, differentiated products.

We installed a new line at our existing plant in Chile to meet the growth in specialty cans and also completed line conversions for specialty cans in Brazil, Turkey, Egypt and India to meet changing customer preferences and market needs. We also announced the conversion of our two plants in Spain (Europe's second largest can market) from steel to aluminium. The conversion demonstrates our commitment to invest for our customers and our confidence in the growth dynamics of the can market in Spain. Other significant projects included the investment in expanding the capacity of our Fusion® aluminium bottle production in the Czech Republic to meet the demand for this innovative product.

The construction of the new can plant in Widnau, Switzerland, is on schedule and on budget, and is due to come on stream in the final quarter of 2015. The plant will give us more flexibility within our European network to meet the growing demand for specialty sizes.

We also announced that we will invest in a second can plant in the south of India to meet continued growth in that market. In the short term, expanding our existing plant close to Mumbai could have given us some cost advantage but having plants in different locations in India will ensure a favourable footprint and bring longer term advantages. As part of this expansion project we also secured land in the north of India where we plan to locate a third can plant in due course.

In all, net capital expenditure from continuing operations was £195m (2013: £186m), 1.4 times depreciation and within our stated limits.

EXPANDING GLOBAL PLATFORM

During the year, we continued to strengthen our global platform. We have spoken for some time about the opportunities in emerging markets but have also indicated that competition is strong for new growth opportunities. It was, therefore, pleasing to see our strategy bear fruit as we acquired a controlling stake in United Arab Can (UAC) in Saudi Arabia in January 2015.

4%

Beverage can volume growth

In 2014, our beverage can volumes increased by 4%. In all we made in the region of 64bn cans out of total global sum of around 310bn cans.

Before providing an overview of 2014, I believe, along with fellow board members, that the proposed combination with Ball represents a strong opportunity for industry consolidation to create a truly global platform to deliver 'best in class' service to customers based on shared cultures of manufacturing excellence and continued innovation.

THE YEAR 2014

In 2014, our beverage can volumes grew 4%. Reported sales from continuing operations, however, were down 3% at £3,832m, mainly as a result of the depreciation against sterling of all three of our major trading currencies – US dollar, euro and Russian rouble. Organic sales, which adjust for the impact of foreign currency translation, were up 4%, broadly in line with our volume growth.

The increase in volumes stemmed from good organic growth in all regions (except North America) at rates in line with or ahead of the respective markets. In Brazil we saw exceptional volume growth boosted by the 2014 FIFA World Cup. As expected we also increased market share in Brazil following the conversion of some of our plants to meet the growing demand for specialty cans.

This good volume growth along with a non recurring indirect tax benefit in Brazil of £18m were offset by £39m of foreign exchange translation headwinds and £34m of higher aluminium premium costs. As a result, reported underlying operating profit from continuing operations was down at £418m (2013: £449m) while organic operating profit increased, as anticipated, by 2%.

While the year was challenging in terms of both sales and profit growth, we generated good free cash flow (one of the characteristics of our business) through tight management of working capital and disciplined capital spend. Free cash flow from continuing operations was strong at £225m (2013: £180m).

40%+

Aluminium premiums

The aluminium premium is the additional cost over and above the London Metal Exchange price to cover the physical delivery of the primary aluminium in a given location in Europe and North America. During 2014, the European premium reached an all time high of \$510/tonne (2013 high: \$300/tonne). As premiums are contractually passed through only in North America (and in some cases with European customers) this resulted in a net additional cost to Rexam of £34m in 2014.

Also in the same month, we completed a substantial investment in Envases del Istmo SA (Endelis), a beverage can business in Colón, Panama, in association with Envases Universales de Mexico (EUM), a long standing partner in Central America.

UAC is a modern business with respected partners, well established customer relationships, in a market with attractive growth prospects for the beverage can and we look forward to working together with our partners in UAC to lead further expansion in the region. (See also page 22.)

The joint acquisition of the Endelis business in Panama complements our existing Central American footprint and positions us well to serve our customers in this exciting growth region as well as the broader Latin America market.

The reaction to the acquisitions from customers and employees has been very positive and the integration of the two businesses is now proceeding apace. We expect to extract further synergies given our own global scale and breadth of technical expertise.

STRENGTHENING CUSTOMER RELATIONSHIPS

Our major customers are growing: they have ambitious growth targets and are, naturally, keen to deliver on these. There is significant pressure in some of our customers' core markets from consumer, regulatory and other trends and the need for growth is driving higher demands on innovation and differentiation: in the case of cans this centres mainly on different can sizes and value add features. Customers are also focused on supply chain savings to help support their profitability. As a consequence, we are experiencing a more co-ordinated, global approach to procurement among our customers. We also see players in both soft drinks and beer exploring consolidation opportunities.

To respond to the shifting and challenging back drop, we made further important changes during the year in the way we are organised. The aim was to bring us closer to our customers and build strong, sustainable relationships as the preferred can supplier. Internally we are more aligned across our four regions to help us better understand, anticipate and respond to customer needs. Key account directors now manage our main customers on a global rather than regional basis. This helps to co-ordinate our approach and is helping to extend our points of interaction with customers beyond procurement and into marketing and sustainability – two areas where we can add value to our relationships. Monthly tracking and quarterly reviews of mutually agreed key performance indicators help ensure further that we execute as planned and deliver the best product offering at the best cost.

OPERATIONAL EXCELLENCE AT THE CORE

At Rexam, our drive for operational excellence extends beyond just the financial results. A major focus this year has been driving further improvement in the Group's health and safety performance. It was pleasing to see that the Group's Lost Time Accident Rate improved substantially after the absence of any improvement in 2013. A fatal injury at the UAC plant (although prior to the completion of the acquisition) shows that there is still more to do. In 2015, we are rolling out a new world class safety plan to all locations in the Group, to establish a single standard of expectation for behaviour as we renew our efforts to remove accidents from our sites, and sustain that level. (More details on page 25.)

Our manufacturing capabilities are where we create the vast majority of our value and where we aim to generate sustainable competitive advantage.

Our lean manufacturing approach was very much in evidence, and we saw good results from the many value stream activities implemented in 2014, not least the delivery of a further £20m of efficiency savings to maintain our solid record in this area. (See page 30.)

The world class standard of our operations was again recognised by The Shingo Institute – a global reviewer of operational excellence. It was not just our manufacturing that gained Shingo accreditation: at the start of the year our headquarters in Rio de Janeiro became the first corporate office in the world to be recognised by the Institute. At year end, our plant in Jacareí in South America received its accreditation. Only a handful of sites (from all walks of industry) meet the Institute's strict criteria each year: the fact that we now have eight accredited plants (unmatched by any other company in the world) demonstrates the extent of our achievements. With two plants in North America well advanced in the accreditation process, we are confident of adding more to this roster as we continue our pursuit of excellence.

SHAPING OUR FUTURE THROUGH INNOVATION...

Our ability to innovate is crucial: it adds value and is an important driver of growth and improved returns. Our innovation programme focuses on the pack of the future, core process improvement and the plant of the future.

Consumers continue to demand more and more from the products they buy and are doing this in an increasing variety of outlets. Differentiation is key, and we consistently pursue innovation for customers as can be seen in various examples in this report. Our product development programme encompasses both incremental and transformational technologies, helping our customers to position and sell their products as efficiently, sustainably and profitably as possible well into the future.



▲ Employee and leadership collaboration on Zero Loss at the Milton Keynes plant in the UK.

BELIEVING ZERO LOSS IS ATTAINABLE

All production processes have losses. Rexam's philosophy is that all losses can be understood and minimised by using continuous improvement techniques embedded within an engaged workforce. In 2013, we started a programme called Zero Loss in several Rexam production facilities to eliminate defects and machine stoppages by using world class total productive maintenance (TPM) techniques that rely on employee and leadership collaboration for success. By eliminating losses we are making our production processes inherently safer by removing the need for physical interventions. We may never get to zero but we have an undying belief that we can always improve, and that, by educating and engaging our workforce, they will fully integrate improvements with their daily work. Our intention is to accelerate the Zero Loss programme by leveraging any lessons learned and best practices established in 2015 and beyond.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Within core process improvement we build on our embedded lean manufacturing and six sigma practices with new technologies to deliver step change improvements in our manufacturing process and costs to address our customers' need for increased productivity.

During 2014, our intention to pursue transformational innovation was exemplified by us taking an equity stake in an advanced engineering company, Magnaparva Packaging, to investigate disruptive technologies in metal forming to drive can lightweighting and reduce energy consumption. Together these are expected to provide cost advantage and improve the quality and efficiency of our can making process.

A third focus for innovation is developing the plant of the future with highly sustainable and flexible plant designs to help our customers access new markets. During the year, we added a number of strategic technology projects to support this work.

Our ongoing collaboration with our customers helps identify opportunities and understand priorities. We deliver by examining and using new technologies from other industries, via

our supplier collaboration programme, and by leveraging public funding for earlier stage research. I am encouraged by the progress we have made and confident that we have a robust technology pipeline for the future.

...AND THROUGH SUSTAINABILITY

Many of our customers have advanced programmes that commit them to ambitious targets with regard to the sustainability of their packaging. As one of their core suppliers, we support them in their journeys to drive sustainable transformation within their supply chains and to maintain the 'case for the can'. Our work with Carlsberg, the Danish global brewer, on their Circular Economy programme is just one example of the work that we are doing to support our customers. (See page 26.)

Our own sustainability agenda is an important means of not simply supporting our customers but also of reducing our cost base and earning a licence to operate as a trusted member of the community. After a decade or more of embedding sustainability throughout our organisation, we now think and operate in a more integrated manner and now include a number of non financial

measures in our key performance indicators. (See page 31.) In 2015, we plan to provide a more detailed update on our progress.

As a global manufacturing business producing billions of beverage cans a year, we have a corporate responsibility to ensure sustainability sits at the heart of our business. We have a carefully considered and robust framework to ensure we address the broader issues of sustainability across all of our business. This framework is focused on three key areas: products, operations and people.

In 2014, we carried out a materiality study to understand better the key areas that are of importance to our stakeholders. The study highlighted economic, social and environmental issues that most concern our stakeholders and plotted the risks and opportunities. (See below.)

Following the study, we reviewed our sustainability framework to align our commitments closer to those of our stakeholders. We have set ourselves stretching goals for 2020 to ensure the business continuously improves and plays its part in addressing the issues facing business and society today. Twelve specific

WHAT MATTERS

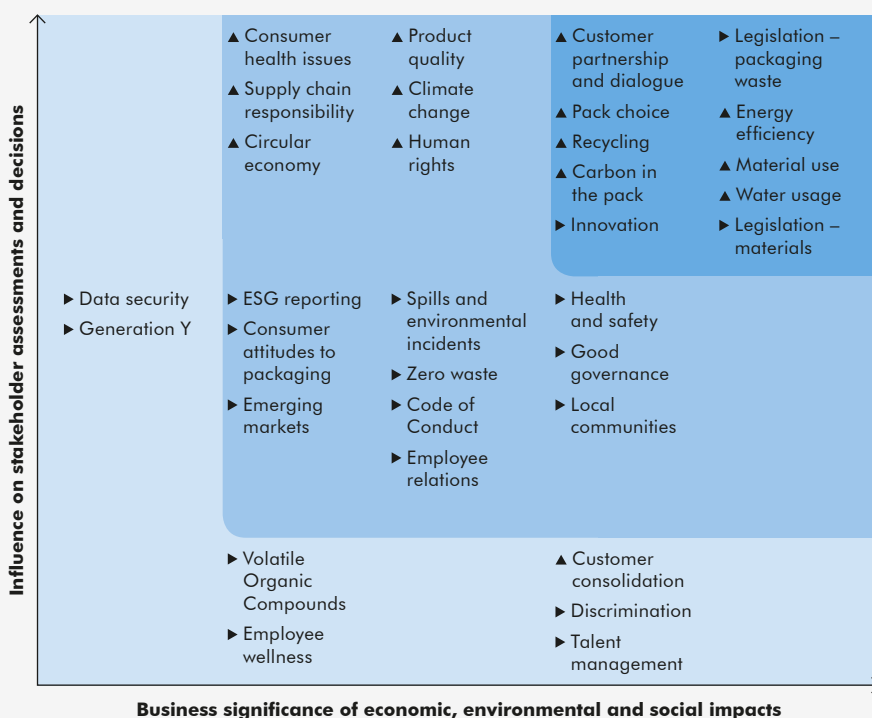
In 2014, we carried out a new materiality assessment involving a broad base of internal stakeholders, customers, investors, suppliers, industry associations as well as NGOs.

The process enabled us to realign our priorities to match their expectations as closely as possible and to update our own targets and measures. (See more on www.rexam.com.)

- ▶ Trend stable
- ▲ Trend increasing

25%

We have committed to reduce the overall carbon footprint of a beverage can by 25% by 2020 versus 2010.



commitments (with 15 measures) enable us to monitor and report on progress across our three areas of focus. We introduced a new product commitment to reduce the overall carbon footprint of a beverage can by 25% by 2020 (from a 2010 baseline). We also now have a specific commitment relating to water consumption, which is a major concern for our customers especially in regions of high water stress.

In the quest for continuous improvement, we benchmark our performance against the best in the world through regular third party reviews. We are continually challenging ourselves to be the most sustainable business we can be, and our inclusion once more in the prestigious Dow Jones Sustainability Indices (DJSI Europe), where we are one of only five packaging companies listed, and in the MSCI Global Sustainability Indices confirm the progress that we have made.

BUILDING A WINNING ORGANISATION

Building a winning organisation is a key element of our strategy to help secure a sustainable future for our business and our people, our customers and shareholders. (See also page 29.) We have values and leadership practices which define how we should behave, how we perform and how we can act as one company. The values and practices are part of leaders' personal performance objectives and help us to differentiate ourselves and make us the employer of choice. We reward and recognise our people in return, and support them in their choice of career.

Prepared for the future

In 2014, we continued to focus on performance management, talent management and providing learning and development opportunities for our people. Our aim is to develop employees' skills to help them progress their careers, and help us grow our business. Development objectives are agreed during annual performance evaluations and employees across all locations have the opportunity to learn proactively through our online resources, on the job learning and mentoring as well as through formal programmes with leading business schools, specialist consultancies and vocational training organisations to build skills and performance levels.

Our internal appointment rate for our most senior leadership levels of more than 75% is a clear demonstration that we offer careers rather than simply jobs.

During 2014, we continued to look at the organisation's effectiveness to ensure that we focus on the work that is important to us and where this is best carried out. Our ultimate aim is to provide the right structure to support the work we do and an organisation that is geared to bring as much clarity as possible to what is an increasingly ambiguous world.

The internal restructuring of our business in Europe into four distinct but interdependent regions during the year brought our organisation closer to the customer and is a

▼ Cans are the packaging of choice for many US craft beers



FOR CRAFT IT'S CAN

Why are craft brewers all over the world choosing cans? Because of the many advantages cans deliver for beer, including durability, high recyclability, light-barrier properties that preserve freshness and portability – cans go where glass cannot, such as parks, beaches and golf courses.



▲ In 2014, we developed these unique cans for UK based Fourpure Brewing Co (an independent UK craft brewer).

good example of our work to date. We can expect to see similar work in the future as we seek to ensure that we are well placed to address the needs of customers in an ever more complex market.

Engaged

The global roll out of our vision to be the best beverage can maker in the world as well as the introduction of safety as a core value during the year are expected to drive employee engagement further.

Communicating with all our employees is a key priority for all our leaders. Each sector has its own regular channels and vehicles such as face to face meetings, notice boards, publications, and, in South America a dedicated Facebook page for all employees. Senior executives on regular site visits organise townhall meetings with the employees. We encourage employees to participate and give their views on any aspect of the Group's business through

1,860

Beer brands in cans

Whilst recent years have been tough on overall beer volume, craft beer growth has increased strongly. Demand for beer produced by small and independent brewers has never been higher and craft beer companies are increasingly choosing the beverage can. According to the US based CraftCans.com, close to 500 different breweries offer nearly 1,860 beer brands in cans, and they now account for more than 3% of craft beer sales.

regular team meetings, the local presentation of the annual and half year financial results and the economic factors affecting the Group's performance. We have nominated employee representatives who help ensure that employees' view are taken into consideration. We also have employee share schemes, in countries where this is feasible, to promote share ownership.

In our employee survey 2013, in terms of engagement, we were three percentage points from the upper quartile in our benchmark group which includes a number of non manufacturing organisations. Our 2015 survey will, we hope, show that we continue to make progress with this key indicator as we have done in the latest surveys. (See page 31.)

CHIEF EXECUTIVE'S REVIEW

CONTINUED

MARKETS AND DIVISIONAL PERFORMANCE

The market background and the world in which we operate are explained more fully on page 4 but, in 2014, volume growth in our markets was mixed with strong growth in South America (helped by the FIFA World Cup), good growth in the AMEA region, albeit from a low base, and North America and Europe performing in line with their respective markets.

This year, we have adopted a new segmental disclosure for financial performance comprising Europe & Rest of World and the Americas to help transparency and understanding of our business (see page 41 and Note 2 to the financial statements). The following section reviews the trading performance of the two segments which encompass our four main geographic regions.

Europe & Rest of World: overview

In the Europe & Rest of World segment organic sales grew 5%, with growth in all regions with the exception of Russia, and organic operating profit growth was 5%. Return on sales was down slightly, and lower profits and recent investments made in growing the business (including the new plant in Switzerland) combined to reduce return on net assets for the segment.

Europe

After a quiet start to the year in both standard and specialty cans, trading in Europe (excluding Russia) improved significantly and volume growth for the year was 3%, driven by the UK, Benelux and Germany. Standard cans, as anticipated, were up 2% while specialty cans were up 4% as good growth continued within energy drinks.

Our business in Russia is self contained in terms of supply of aluminium and other raw materials, the can manufacturing process and customers. Trading, however, was subdued primarily due to the weak macroeconomic backdrop. Market performance in beer impacted the brewers while flavoured alcoholic drinks were delisted from the popular kiosks channel. As a consequence, our volumes declined 2%. The regulatory environment regarding alcohol appears now to be steady and tax on beer has been frozen.

A positive development is that beverage cans' share of the pack mix in Russia grew by 0.9% to 21.7% compared with 2013.

EUROPE & REST OF WORLD

This region covers the countries of Europe and the AMEA region (including South Korea). In total these markets consume some 134bn cans annually but per capita consumption varies widely from region to region. Our largest market is Europe where we have about 40% market share. In all we have 25 plants in the Europe & Rest of World region.

£1,705m

Sales 2014

Organic sales growth 5%

£183m

Underlying operating profit 2014

Organic operating growth 5%



NEW WAYS TO ENJOY

In 2014, US based Mike's Hard Lemonade Co expanded its packaging mix to include small 8oz cans to respond to the needs of customers eager for new ways to enjoy its products.

The 8oz Slick can is a distinctive package. Combined with colourful, eye catching graphics, it attracts attention on retail shelves while at the same time delivering the inherent benefits of the can: superior recycling, quick filling, and easy distribution.

>200%

Growth

The 12 pack of 8oz cans has proven ideal for sharing. In the US, these smaller serving sizes continued to grow in popularity, in 2014, with sales of 8oz cans in 12 pack formats increasing more than 200% compared with 2013.



Africa, Middle East & Asia

Our AMEA business saw continued growth with overall volumes growing 18% to just over 3bn driven by good growth in specialty cans. Our volumes in India, boosted by the introduction of domestically manufactured 250ml cans, grew robustly (72%). Egypt had a quiet start to the year but with our conversion to specialty cans now fully ramped up, we were able to benefit from a buoyant market and 16% growth as we supplied to both global and local drinks manufacturers. In Turkey, the market picked up throughout the year and volumes ended up ahead of last year.

Americas: overview

Performance in the Americas (see page 14) was good. Organic sales were up 3% as strong volume growth in South America was partially offset by a volume decline in North America. Organic operating profit was flat as the benefit of strong sales in South America and a good product mix was offset by the commoditisation of some specialty can sizes in North America. Return on sales and return on net assets were lower than last year, reflecting the adverse impact of foreign exchange translation on profits and the investment in line conversions in South America. At c 40% North America still has the highest return on net assets in the Group.

North and Central America

In North America, can consumption remains the highest in the world at more than 315 cans per capita per year. Rexam has more than 20% of the North American market. During the year we have continued to focus on diversifying the portfolio and establishing strong positions with growth customers in growth categories. Our strategy is bearing fruit: we are the largest can supplier across both the tea and energy drink categories with both categories continuing to show year on year growth.

In 2014, our volumes tracked the industry. Our standard can volumes were down 3% in line with the CSD market. Specialty can volumes were up 1% as good volume growth in Slick and 16oz sizes offset maturing, larger specialty can sizes. Encouragingly, growth in Slick and 16oz was driven by customers in a variety of beverage categories including beer, CSD and energy drinks as well as flavoured alcoholic beverages, so called 'malternatives'. (See above.)

The process of commoditisation in the specialty can segment in North America is accelerating as contracts are renewed and, as previously stated, this will have an effect on volumes and margins during 2015.

SAFETY THROUGH ENGAGEMENT

Our safety vision is that we all get home safely to our family and friends every day. In the high speed manufacturing of cans, it takes a great deal of effort and vigilance from everyone to establish and maintain a safe work environment. While we adopt a common approach to safety, businesses have their own award programmes to encourage and recognise plants that keep their people safe. For example, in the US, plants that reach one million hours without a lost time injury are recognised for this achievement: to date, seven of them have achieved this milestone. They give credit for their success to the engagement of their people, from management to shop floor as well as a strong safety culture. At least one safety goal is included in the annual objectives of plant management and their people.



1 million

Hours without accidents

CHIEF EXECUTIVE'S REVIEW

CONTINUED

Outside the US, there is significant potential for further growth in Mexico and Central America with the region's increasing population and improving GDP per capita. We are participating in this growth through our own plant in Querétaro, Mexico, where we saw specialty can growth continue particularly in Sleek and 16oz cans. We have a joint venture in Guatemala to help us broaden and strengthen our customer relationships, and at the start of 2015 we announced a new can making joint venture in Panama. (See page 22.)

South America

Trading was very strong in South America in the first half as a result of better than normal weather, the timing of the Carnival (which extended the normally busy summer season) and the build up to the FIFA World Cup. As expected, volumes softened in the latter part of the second half but overall volumes grew 12%, ahead of the market as we regained market share and shipped a record 14bn cans. Specialty cans continued to grow faster than the total market, ratifying the decision of converting four lines in Brazil to meet these needs. We also expanded the specialty capacity of our plant in Chile.

The macroeconomic environment continues to be weak in Brazil with GDP growth expected to be 0.1% in 2015. We expect the beverage can market growth to slow significantly compared with 2014 in the absence of any major stimulus such as the FIFA World Cup. A new tax on drinks is expected to come into force during 2015. Additionally, we expect fillers to revert to prioritising specialty cans to provide attractive price points with different can sizes.



THE AMERICAS

The Americas region comprises North, Central and South America. In total these markets consume some 176bn cans annually. Per capita consumption varies widely from region to region. Our largest markets are the US where we are the second largest can maker and Brazil where we have more than 50% market share. In Chile and Argentina we are the sole can makers. In all, we have 30 plants in the region.

£2,127m

Sales 2014

Organic sales growth 3%

£235m

Underlying operating profit 2014

Organic operating growth flat

ACTING RESOLUTELY TO MEET CHALLENGES AHEAD

2015 is expected to remain challenging. Aluminium premiums, despite new proposed load out rules, are expected to remain high and there is limited opportunity to pass on these costs in Europe and South America under current contracts. Customer pressure and competitor actions are reducing market prices, and competition is strong for new growth opportunities. On top of this, our customers still want and expect us to invest in new growth markets and new differentiated products. We are taking resolute steps to address these challenges in Europe, reducing our cost base and increasing our productivity to attain cost leadership. We will be carrying through these plans irrespective of the outcome of the Ball offer.

As a first step, we will be opening consultations with the German works council in March 2015 with a view to closing our plant in Berlin. Berlin has three low speed lines and one of the highest fixed cost bases in our European network and has become uncompetitive in serving its core German, Benelux and Polish markets. Whilst we conducted a thorough review of our options, including investing in higher speed lines, reductions in SG&A and incremental investment in capacity to reduce the cost per thousand cans, it was clear that the plant's location meant that even if those steps were taken, it could still not provide a competitive cost base to support those markets in the future.

Total P&L costs of the plan over the next three years are expected to be £140m of which £80m are cash costs. Most of the cash costs will occur in 2016 and 2017. Capital expenditure is expected to be an additional £70m in 2015 and 2016, which relates mainly to investment in the current footprint to support our customers during this restructuring.

Once the restructuring is complete, annual savings are expected to be £50m from 2017.

We plan to pursue further restructuring actions, included in the costs set out above, but we are not in a position to disclose anything further at this juncture. I am confident that the actions we are taking and those that we are planning will help us achieve the cost leadership that we need. Rexam has the pragmatic mindset required and has proven over the years that, when set a target, it will deliver.

In closing, while the fundamentals of our industry may be shifting, I am confident that they are sound. The global beverage can market is expected to continue to grow at around 3% for the foreseeable future. We can capture that growth: we have leading positions in our main markets and are increasing our exposure in emerging markets. We are building stronger partnerships with our customers. They are global businesses, and they want to deal with sophisticated, global suppliers.

We have also strengthened our technological capabilities to meet increasingly demanding customer needs.

The Group's balance sheet remains strong and we maintain our investment grade rating with all rating agencies.

We still see opportunities for further development in all our regions. We funded the two latest acquisitions out of debt and would envisage adopting a similar approach in the future for smaller bolt ons.

Significant steps have been taken to strengthen our strategic position to better serve our customers, and we are now a 100% focused beverage can maker. The acquisition of a majority stake in UAC and our investment in Panama position us well in higher growth geographies.

In summary, we expect 2015 to present a tough trading environment with headwinds from metal premium, foreign exchange volatility and pricing pressure. However, we are taking steps to address these through further improvements in productivity to make sure we are delivering cost leadership and continuing to invest in growth capacity to enhance our competitive market positions.



Graham Chipchase
Chief Executive

12 March 2015

▼ Fusion® combines the functional benefit and sustainability credentials of a standard beverage can with the premium characteristics of a bottle.



PREMIUM PACKAGING

Such is the demand for Fusion® aluminium bottle that we are more than doubling the capacity of our plant in the Czech Republic. Due to come on line in 2015, it will enable us to better serve our customers in their search for a container that helps promote their brands.

£35m

Investment in a high speed line will enable us to increase the capacity for Fusion® bottles and to further seed markets in North and South America (see also page 26).

BUSINESS MODEL

Rexam is a global beverage can maker producing around 64bn cans a year at 55 plants across the world. We offer our customers a broad range of can sizes for their products such as CSD, beer, energy drinks and other beverage categories.

Our business model is underpinned by clear and consistently applied frameworks for enterprise risk management, including governance and sustainable development. We are part of a supply chain that stretches from ore mining to the consumption of beverages from cans by the consumer. Within that chain, we have direct control over the manufacture of beverage cans and ends and the capital (see below) to make this viable. We also constantly support and promote the beverage can as a sustainable alternative to other drinks packaging. (See more on page 26.)

MANUFACTURING

Our core skill lies in converting sheet metal into beverage cans and that is where we can generate sustainable competitive advantage and where we create the vast majority of our value. We invest in assets to convert metal sheet into cans and in most cases assume the risk of converting aluminium ingot into coil. Our success and ability to create value relies on high utilisation of our can making lines and our ability to convert metal sheet into finished beverage cans and ends as sustainably as possible at the lowest delivered cost.

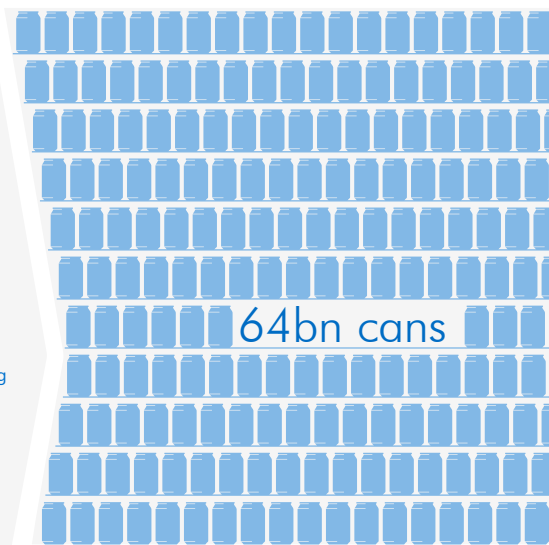
Managing enterprise risk (see page 32)

WE EFFECTIVELY USE OUR STRATEGIC INPUTS...

- Natural capital
Energy, virgin and recycled metal, inks, water
- Financial capital
Disciplined capital allocation
Intangible assets
- Manufactured capital
Well invested asset base comprising 55 can making plants (including joint ventures and associates) in five continents
Global suppliers and strong relationships
- Human capital
8,000 employees
Safe and healthy working conditions
Training and development opportunities
Fair remuneration and health benefits
- Social capital
Licence to operate
Community engagement
High governance and ethical standards

...IN OUR CAN AND END MAKING AND FOCUS ON...

- Addressing our customers' needs to get their products to their end users as innovatively, efficiently and sustainably as possible (see page 20)
- Continually improving the efficiency and sustainability of our processes and our footprint to achieve low cost base (see page 25)
- Expanding into new markets and into new product areas (see page 7 and page 22)
- Maintaining capital discipline and managing cash and costs (see page 45)
- Keeping our people safe and healthy and developing our structure and their skills to meet our customers' needs (see page 28)
- Promoting the drinks can as a viable and sustainable packaging option (see page 26)



Creating sustainable value



Enhanced financial, manufactured and human capitals

CASH RETURNS TO SHAREHOLDERS

£583m including return of cash and share consolidation.
See pages 2, 115 and 138.

SALARIES AND EMPLOYMENT

We employed close to 8,000 people and paid them in total c £500m.
See page 108.

PEOPLE DEVELOPMENT

We delivered on average 22.5 training hours per employee.
See also page 11.

Cans recycled back into the metal supply chain reduce carbon emissions

We focus on operational excellence (see page 25) using six sigma and lean principles across our operations and processes to reduce cost and material usage, all the while ensuring the safety and wellbeing of our people (see page 31).

SUPPLIERS

We are key strategic partners for most of our major suppliers who include aluminium, energy, chemical, machinery and freight companies. Aluminium represents almost 60% of our annual cost base from continuing operations, some £2bn annually. We source our metal from well established global aluminium suppliers. While we largely derisk the procurement of aluminium ingot with pass through clauses in customer contracts or long term agreements with suppliers backed by appropriate hedging, we are exposed to cost increases in the metal premiums.

We work closely with all our suppliers to codevelop innovative processes and products to help reduce our material usage or take advantage of the advances in can making technology to complement the work we are already doing in this area.

CUSTOMERS

Our aim is to build strong and mutually beneficial relationships with our customers to ensure that we are the preferred can supplier. Cost leadership is essential and the location of our can making network relative to our customers' filling locations is important in minimising logistics and freight costs. Larger customers are moving to global procurement models and, as part of our response, we have global key account management for core global customers to further align ourselves with them. The complexity of our business is growing with the proliferation of different can sizes and finishes, and shorter product runs. The ability to deliver at low cost in such an environment will become a prime capability. Innovation in products and processes, and our close understanding of the trends affecting our customers, are also critical differentiating factors in shaping our future. (See page 6.)

PEOPLE AND CAPABILITIES

We have a highly skilled and motivated workforce, most of whom work in plants. We invest in training and development to help employees achieve their full potential and make sure they have the engineering, technical and commercial skills to help us remain competitive and match the needs of our customers.

We aim to attract and retain top talent by making Rexam a great place to work where people from all backgrounds can develop their careers and feel rewarded for what they do.

SHARED VALUE

Our business follows a circle of revenue and profit generation, efficient cash conversion and reinvestment in the business. We share the value we generate with our shareholders through the dividend (see page 2) and with the wider community through employment, salaries, the payment of taxes and supplier payments as well as social and charitable projects.

Our aim is to balance growth and returns (measured in return on capital employed: ROCE). ROCE may drop slightly in a year of high investment or if we make an acquisition and in a low investment year it may go up. Through the cycle, however, our aim is to maintain ROCE around 15%.

Sales growth is expected to be slightly above the GDP of the countries in which we operate as beverage markets grow and cans continue to take a greater share of the pack mix (mostly replacing glass containers).

We plan for operating efficiencies and pricing to offset cost inflation over time, thereby expecting profits to grow slightly faster than sales. This translates into good cash generation which supports a healthy balance sheet and helps maintain an investment grade rating.

To underpin sales growth and to protect our business, we aim to continue to invest at a rate of 1 to 1.5 times depreciation over the cycle (not including the plans for Berlin detailed on page 15). Any investment in organic growth or in bolt on acquisitions will be determined by where we see the best opportunities to grow with good returns over time. The disciplined allocation of capital is a crucial competency in this respect and, consequently, a source of advantage.

We consider the dividend to be a core element of shareholder remuneration and something on which they should be able to depend. We aim to continue to pay the dividend in line with our policy of 2.0 to 2.5 times cover and return surplus cash to shareholders.

...THE VALUE WE BRING TO OUR CUSTOMERS...

- Lowest delivered cost through the supply chain
- Partnership approach
- Innovative solutions
- Investment to ensure that they are able to maximise market opportunities

Our customers' growth is driven by a number of evolving trends. See page 6.

...AND HOW WE SUPPORT CONSUMERS

- Provide the most convenient single serve beverage package
- Ensure a safe package that keeps contents secure
- Deliver an easily recyclable package
- Support recovery and recycling of beverage cans across the globe



SUPPLIER PAYMENTS

We paid more than c £2.6bn to main suppliers worldwide.

ENVIRONMENTAL IMPACT

We reduced our carbon intensity by 3.4%. See page 31.

and offset virgin material requirements

OUR STRATEGIC PRIORITIES

Five key strategic priorities (see below and pages 21 to 29) help us to focus on what is important to deliver on our commitments, to align and mobilise our organisation and to optimise time to execution. Together they will enable us to achieve our vision and our overriding goal to deliver sustainable value to all stakeholders.

OUR VALUES

Clear values help build a sense of trust and accountability. They are a point of reference, a compass to guide us.

Safety

In 2014, we took the decision to add safety to our core values. We wanted to reinvigorate our focus, not just on the shop floor, but right across our business. Our safety vision is that we all get home safely to our family and friends every day. (See page 25.)

Continuous improvement

We are determined to do better tomorrow. This is the key to strong customer relationships, operational excellence and business success. We set ourselves ambitious targets and, in making us the benchmark for quality in our industry, become a beacon of best business practice.

Recognition

We believe in recognising every contribution to our business and we celebrate outstanding achievement. We reward and promote people on merit, through fair and open performance management and career development systems. We should all feel that our work is an enjoyable and fulfilling part of our lives.

Teamwork

We know that as a focused beverage can company we are at our best when we work together as a group. We deliver the greatest possible benefit to customers, shareholders, colleagues and communities when we pool our talents and pull together. We respect and value the diversity of our people and we are committed to fairness and meritocracy.

Trust

Openness and honesty are essential to business efficiency and fundamental to a positive working environment. We encourage people to say what they think and if we promise we will do something, we deliver. We will earn and deserve the trust of everyone who comes into contact with us.

Our strategic priorities

Strengthen our customer relationships

Not simply by providing best quality and customer service at the right cost but also by working with customers strategically and proactively. We will strengthen ties through commercial excellence and marketing capability and while innovating to meet the challenge of profitable growth in a lower growth world.

Invest with focus

Ensure that we capture opportunities and protect our core business, all the while maintaining strict capital discipline and a focus on returns.

Pursue continuous improvement in operational excellence

Our emphasis is on delivering first class products at cost at or below those of our competitors.

Shape our future

By innovating and continuing to improve our sustainability performance to underpin our licence to operate and to support our customers as they face increasing consumer and legislative pressures.

Build a winning organisation

Ensuring that a culture of collaboration, delivery and behaviour centred around our core values and leadership practices underpins everything that we do.

What are our key strengths?

- Global manufacturing footprint
- Long standing relationships with world leading brands
- Depth of packaging knowledge
- Responsiveness to operational requirements
- Continued investment in new products and processes
- Disciplined capital allocation with good investment track record
- World class project management of processes
- Strong enterprise risk management
- Regarded as proactive, reliable global partner
- Strong balance sheet
- Unrelenting focus on beverage can making
- Stringent focus on quality and on time delivery
- Globally recognised manufacturing excellence based on six sigma and lean principles
- Highly skilled employees with the engineering and technical expertise to support our business
- Global centrally funded innovation programme
- Close ties with technology leaders to enhance our can making process
- Clear, aligned sustainability framework with stretching targets
- Industry leading commitment to promote and support post consumer recycling
- Engaged employees
- Strong and improving safety culture with engagement across the company
- Continual investment in training and development to ensure that we are prepared
- Clear values and leadership practices (as well as globally applied Code of Conduct) part of leaders' performance objectives

How does this help to create value and how we measure?

Delivering on our promises coupled with a proactive approach increases the likelihood of further sales growth.

Measures: Sales growth, Research and new product development and Customer satisfaction score (see pages 30 and 31).

Our customers operate globally and expect us to be able to match their geographic footprint. Our geographic base translates into a robust business portfolio. Investment improves our ability to win and extend contracts to serve the growing needs of our customers and fully utilise our can making capacity.

Measures: Sales growth, Profit growth and Emerging market sales (see page 30).

Lowest delivered cost is essential to maintaining/winning business and ensuring that our production lines are working at optimum capacity.

Measures: Underlying profit growth, Free cash flow, Annual efficiency savings (see page 30).

Positions us as the can maker of choice for our customers and serves as a further means of reducing our cost base and earning our licence to operate.

Measures: Recycling rates, Research and new product development, Carbon intensity, Recycling rates (see page 31).

Engaged, motivated people understand how their work contributes to the delivery of our strategy and the satisfaction of our customers. Training and development ensure that they have the skills to help us remain competitive.

Measures: Employee engagement and Lost time accident rates (see page 31).

Events in 2014

▼ We grew volumes 4% in 2014.



▼ We invested in organic growth in Brazil, Egypt, India and (below) Chile.



▼ We again gained recognition for operational excellence from The Shingo Institute.



▼ In 2014, our customers' products were recognised at various 'cans of the year' awards across the world.



▼ We introduced safety as a core value.



Future challenges and risks

- Pressure on profit margins through coordinated global customers procurement
- See summary of principal risks and uncertainties on pages 34 to 39

- Asset acquisition expensive
- Lack of significant available new emerging market investment opportunities
- See summary of principal risks and uncertainties on pages 34 to 39

- Metal premiums
- See summary of principal risks and uncertainties on pages 34 to 39

- Maintain balance in our innovation portfolio across the short, medium and long term in light of short term pressures
- See summary of principal risks and uncertainties on pages 34 to 39

- Competition for talent
- See summary of principal risks and uncertainties on pages 34 to 39



► **HELPING OUR CUSTOMERS STAND OUT**

Different can sizes, smaller sizes for portion control, value add features as well as functional differentiation for consumers, such as freshness cues and easier pour openings, all help our customers' cans to stand out from the crowd. These cans from US brewer Dog Tag Brewing use Rexam Editions™ printing technology to deliver personalised messages of gratitude to the nation's military personnel who lost their lives in the line of duty.

OUR STRATEGIC PRIORITIES: STRENGTHEN CUSTOMER RELATIONSHIPS

In today's business climate, our customers are not simply looking at supply chain savings to help drive their growth. They also want a global partner who can offer a framework for collaboration: a packaging expert who speaks their language. This is what can help them stay ahead in their markets, and enables us to maintain our competitive edge.

GLOBAL PARTNERSHIP

Rexam Editions™ variable printing technology (patents pending) was born in Brazil thanks to the ingenuity of one of our engineers. And thanks to our global network we have been able to lead the industry, deploying this innovative technology with our customers across the world (see below). The 2014 Editions™ launch for one of our largest soft drinks customers in North America helped increase their sales volumes after years of secular decline.

EXPERT KNOWLEDGE

We apply our experience and knowledge not just to can making but also to our customers' brands. For example, our functionality testing such as a can's pouring characteristics, our advanced work on analysing visual impact cues, understanding our customers' brand proposition and supporting their readiness to launch a product, all help to build broader and deeper partnerships.

INNOVATIVE SPACE TO THINK AND SHARE IDEAS

In September we opened a new Graphics and Design studio at our European head office in Luton, UK. The state of the art facility provides customers with design expertise, platemaking and proofing.

The facility showcases Rexam's technical capabilities across all main European can sizes (including the Fusion® bottle) and also incorporates a suite where customers' marketing teams can come and 'brainstorm' ideas and translate concepts onto a three dimensional metal can. Customers can arrive with an idea in the morning: we will then create the artwork and make the can. By the end of the day the idea has become a reality and any adjustments can be made there and then on site. More than 50 customers visited the new facility after its inauguration.

90 labels

Label changes in South America

Events such as the Olympics or the soccer World Cup invariably lead to an increase in can volumes as brands seek to capitalise on the global nature of these events. The 2014 FIFA World Cup was no exception. Even before the World Cup games started, the Brazilian Association of Manufacturers of Recyclable Cans (Abralatas) noted a considerable increase in volumes. Rexam alone in South America produced 90 different labels.



▲ A few of the cans we produced for our customers to mark the FIFA World Cup 2014.

▼ Our customers can now take advantage of our Rexam Editions™ technology all over the world. These cans (using Editions™ Super Premium technology) were produced for a Czech brand to celebrate the FIFA World Cup.



OUR STRATEGIC PRIORITIES:

INVEST WITH FOCUS

The long term sustainability of our performance is dependent on the successful expansion in current and new markets, all the while maintaining a balance between growth and returns to our shareholders. Through organic growth and carefully selected bolt on projects, we aim to defend our market positions and improve our ability to serve the needs of our customers.

EMERGING MARKETS STRATEGY BEARS FRUIT

In line with our emerging markets strategy to complement our existing footprint, we strengthened our capabilities in a number of faster growth markets during the year.

Foothold in Saudi Arabia

In January 2015, we acquired a 51% stake in beverage can maker United Arab Can (UAC) for US\$122m. The two line plant has an annual capacity of 1.8bn cans in both standard and specialty sizes. We are investing in a third production line to meet the market growth, and this is planned to come on line in the second half of 2015.

UAC is a modern business with respected partners, well established customer relationships and a strong competitive position in an attractive market with good returns. While the plant is operating well, given our own global scale and technical expertise, we see a number of opportunities for synergies.

Growth prospects for the beverage can in the Middle East are attractive and we look forward to working together with our partners in UAC to lead further expansion in the region.

Central America expansion

Also in January 2015 we announced that, together with Envases Universales de Mexico, completed an investment in Envases del Istmo SA, a single line beverage can plant in Colón, Panama. Long term supply agreements have been secured with customers.

The transaction positions us well to serve both our local and global customers in an exciting growth region.

Expansion in India

We have secured building plots in Sri City (55km from Chennai), Southern India, as well as Jaipur, Northern India, for two beverage can plants to complement the current plant in Mumbai. The location of the new plants improves our footprint and will enable us to better support our customers and to take advantage of the continued exciting growth of the beverage can in this market.

Each plant represents an initial investment of c £50m and together they will provide an extra capacity of 1.6bn cans in this growing market.

The plant in Sri City is expected to be operational in the second half of 2016.

▼ The new joint ventures in Saudi Arabia and Panama have well established customer relationships which will form a base for further expansion in the respective regions.



72%

Growth in India

Growth in India was very buoyant with volumes up 72%, helped by our introduction of a new domestically manufactured specialty can size.

7%

Attractive growth rates

The beverage can is expected to continue to grow in the Middle East region in the medium term.

2.3bn

Size of Central America can market

The Central American can market is growing at a rate of around 4%.

► INVESTING IN AMEA

AMEA is the fastest growing region in the world in terms of beverage can consumption. It accounts for 75% of the world's population and around one third of the world's can consumption.



◀ PROCUREMENT GAINS

2014 was another strong year for procurement. We moved to a global procurement model in 2013 with the aim of better leveraging our global scale and pockets of best practice across the business.

In 2014, the team delivered more than twice the budgeted savings for the second year running, helping to reduce year on year cost.



OUR STRATEGIC PRIORITIES: OPERATIONAL EXCELLENCE

Rexam is built on a strong culture of operational excellence. It lies at the heart of our business and is a key element as we seek cost leadership and sustainable value creation. Through the application of continuous improvement processes, we focus on delivering exceptional quality and customer service.

STEP CHANGE IN SAFETY IMPROVEMENT

Rexam's safety vision for everyone who comes into contact with us is to ensure that they all return home safely to their family and friends each and every day.

In 2014, we made a significant step on our journey towards our goal of world class safety. There was a 30% improvement in our lost time accident rate (LTAR) (see chart on page 31) and a 58% improvement in our severity rate, DART.

Although we saw a reduction in the number of our own life changing injuries, we continued to see contractor incidents. In 2015 and beyond we will continue to focus on improving our contractor safety performance and introduce measures to track improvement.

As part of our world class safety action plan we introduced safety as one of our core values (see page 18). This, coupled with the actions to be implemented in our three year world class safety plan, is expected to enhance further our performance as we continue to strive towards our zero accident objective.

OPERATIONAL EXCELLENCE PROVIDES WATER LIFE LINE

In 2014, our South American business took their 'Good Days' initiative to a new level. Originally, every time a plant reached a set of production and safety related KPIs on the same day, Rexam made a donation to a local charity. In this case, the Brazilian plants pooled their resources for the benefit of residents of a whole municipality.

The concerted 'Good Day' efforts helped finance the construction of a pipeline to a village in the state of Pernambuco. "The drought and poverty in the region are awful, with many people starving and animals dying. Our idea was to use our resources to help improve the day to day life of that community," says Fernando Praxedes Santos, an engineer at the Recife plant in northern Brazil and the man behind the project. The construction has had a direct impact on the population's quality of life: they no longer have to walk 2km in the sun to fetch water and they are able to grow watermelon, beans and other vegetables.

▼ Our levels of operational excellence in South America directly contributed to bringing water to a remote village in the drought hit state of Pernambuco.



3.3kt

Reduction in aluminium

Through the constant application of lean principles we reduced the amount of aluminium we used in 2014 by 3.3 thousand metric tonnes, again meeting our goal of continuous reduction.

1.9bn

New production capacity

We increased capacity in Chile to 1.9m cans per day. This will not only enable us to capture regional growth opportunities but to produce special sizes, thus avoiding the logistics costs of importation.

DJSI

Inclusion in 2014 indices

We are one of only five packaging companies listed in the Dow Jones Sustainability Indices (DJSI Europe). It is confirmation of the recognition by stakeholders that we are continually challenging ourselves to be the most sustainable business we can be – a fundamental part in achieving Rexam's goal to be the best beverage can maker in the world.

OUR STRATEGIC PRIORITIES: SHAPE THE FUTURE

Shaping the future is about our ability to innovate in terms of products and processes, to support our customers' sustainability agendas and, at the same time, to promote the can as a viable global drinks container.

CRADLE TO CRADLE®

Sustainability is a key area of customer focus. In late 2013 Carlsberg, the fourth largest brewer in the world, asked us to become one of the founding partners of the 'Carlsberg Circular Community' – a non commercial platform for Carlsberg and their suppliers to work collaboratively on circular economy thinking. One of the first activities was for packaging products to be assessed using the Cradle to Cradle® Design Framework which looks at five sustainability aspects: material health, material reutilisation, renewable energy and carbon management, water stewardship and social fairness.

In January 2015, Carlsberg was awarded 'Bronze certification' for the can we supply to them in the UK. This is the first beverage package to be certified by the Cradle to Cradle Products Innovation Institute, and the first of any of Carlsberg's packaging. We are proud of this 'first': the certification demonstrates that we have a balanced approach to sustainability. Used beverage cans are a valuable source of material for making new cans as well as other applications such as car components. Each can recycled avoids the use of an equivalent amount of primary material in the next production cycle. This has created a 2.5m tonne market for used beverage cans valued at £2.5bn and we are committed to increasing the recycling rate further in order to help close the material loop.



NEW METAL RECYCLING MARK

A new recycling mark to engage consumers and highlight their role in the continuous life cycle of metal has been developed by Rexam and industry peers in Europe. Many consumers do not understand the real value of recycling or do not always have a clear understanding of what happens with the collected metal. Research in UK, France and Spain showed that both keen and reluctant recyclers agreed the message 'Metal recycles forever' together with the loop symbol provided new and clearer information. This clarity subsequently prompted a positive re-evaluation of their recycling habits. Rexam has started sharing this research with customers and it is anticipated that the new mark will become another way for brands to support improvement in consumer recycling habits.



60 days

Part of a circular economy

The materials used to make cans have strong sustainability credentials. A can could be back on the shelf in as little as 60 days once recycled. Society is looking to increase resource efficiency by turning waste into a resource and both aluminium and steel are permanent materials, which mean they can be recycled without losing their functionality. Beverage cans are designed to circulate endlessly and to contribute to a circular economy.

7 to 12

Innovation projects

Our innovation programme is gaining traction. In 2014, we almost doubled to 12 the number of projects going through our innovation pipeline for processes and products. (See more on innovation on page 9.)

First

Beer in Fusion® in Brazil

Following the success of Germânia 55 in Rexam's large 24oz cans, Rexam's Fusion® aluminium bottle brought another innovation opportunity to NewAge Bebidas with the youthful appeal of the aluminium bottle. It was the first beer to be launched in the Fusion® bottle in South America and helped enhance the product's premium positioning and sophisticated visual identity.



▼ CREATING A RECYCLING SOCIETY

High recycling rates are essential to maintain the sustainability credentials of the can. Global beverage can recycling rates are at 70%, making them the most recycled drinks package of all. Rexam is proactive in a number of European countries and the US providing support for can recycling through industry initiatives such as Every Can Counts in Europe, Metalmatters in the UK and The Great American Can Round-Up in the US. We also run our own events such as Cans For Cash in the US and The Can Community Challenge in Europe. We also fund outdoor billboards and trucks to promote the recyclability of the can. (See page 29.)



► **EMPLOYEE HEALTH,
SAFETY AND WELLBEING**

A top priority is to make sure our people work in a safe and healthy environment. All of our sites offer some sort of wellness programme. In 2014, 490 employees from 70 teams across our European and Global HQ locations participated in the Global Corporate Challenge achieving a total of 824,981,778 steps. Together the teams crossed the Sahara desert the equivalent of 293 times, and burnt 138,596,939 kilojoules.



OUR STRATEGIC PRIORITIES: PEOPLE

An organisation that is engaged and performs is critical to our success. The readiness of our people to compete and win in our industry is central to the sustainability of our business. During the year, we continued to invest in our people and systems so that they can perform and grow in their job.

HUMAN RIGHTS AND DIVERSITY

We aim to deliver sustainable success by providing an inspiring place to work, upholding human and labour rights and ethical business practices and ensuring supply chain labour standards. A respect for human rights is implicit in our employment practices across all our operations as well as in the high standards we expect from our suppliers (see page 17) wherever we source their products.

We are often important employers in the communities in which we operate, and we take into consideration local concerns, using our presence responsibly to contribute to the promotion of the communities' wellbeing.

Our five core values (see page 18) and our Code of Conduct, which sets out clear standards of behaviour, underpin our social, ethical and environmental commitments and send a clear message to all of our stakeholders.

We promote non discriminatory decisions and actions through online legal compliance training which ensure familiarity with our own

Code of Conduct. This supports our efforts to attract and retain the best talent and, we believe, encourages new ways of thinking.

Decisions regarding selection, terms of employment, advancement, retention and termination are made without regard to gender, race, religion, colour, national origin, age, marital status, sexual orientation or physical or mental disability. Disabled people are given full consideration for employment and subsequent training (including, if needed, retraining for alternative work where employees have become disabled), career development and promotion on the basis of their aptitudes and abilities.

In 2014 we employed on average 8,028 people around the world. 88% of our workforce (7,078) is male and 12% female (950) (2013: 89% and 11% respectively). The imbalance is not untypical for a manufacturing industry. At year end 2014, the board comprised six males (75%) and two females (25%) (2013: 75% and 25%). In senior management roles there were 164 males (85%) and 29 females (15%) (2013: 85% male and 15% female).

	2014 Males	2014 Females	2013 Males	2013 Females
Directors	6 (75%)	2 (25%)	6 (75%)	2 (25%)
Senior managers	164 (85%)	29 (15%)	164 (85%)	28 (15%)
All employees	7,078 (88%)	950 (12%)	7,014 (89%)	905 (11%)

REWARDING AND SHARING SUCCESS

Our aim is to be an employer of choice with a culture of high performance, motivated people and outstanding leaders. We need to ensure we can attract and retain top talent by making Rexam a great place to work where people from all backgrounds can develop their careers and feel rewarded.

We maintain a clear consistent approach to rewarding our people competitively – not only what they do, but also how they do it – with base salaries linked to their role, contribution and performance. Global short term incentive plans aligned to business strategy and our shareholder interests are offered to the majority of our employees so that they can share in the success. Company and individual performance measures enable us to recognise and reward exceptional performance. (See also page 65.)

CHARITABLE WORK AND DONATIONS

We encourage all our teams to be constructive members of our local communities. Rexam's total charitable donations (including cash and in kind donations) during 2014 were £830,766 (2013: £767,369).

▼ Rexam sponsored the Ameri-CAN Canned Craft Beer Festival in Scottsdale, Arizona. More than 3,000 visitors sampled beers from 80 craft breweries from across the country. As part of its sponsorship, Rexam provided bins to recycle the nearly half a tonne of cans that were collected, with the proceeds donated to the Phoenix Children's Hospital.



KEY PERFORMANCE INDICATORS

Our goal to deliver shareholder value drives our strategic priorities. We track our performance against both financial and non financial measures. They reflect our strategic priorities of growing the business and driving ongoing efficiencies that will lead to sustainable shareholder returns, supported by safe and responsible working practices. The non financial measures are taken from our sustainability framework. (See page 10 and www.rexam.com under Sustainability.)

KPI	What we measure and why	Performance	Target												
Sales growth	<p>Based on underlying business performance from continuing operations.</p> <p>Shows our success in driving additional volumes in our existing business, growing our customer base and our ability to maintain appropriate pricing levels.</p>	<table><tr><th>Year</th><th>Growth</th></tr><tr><td>2010</td><td>3%</td></tr><tr><td>2011</td><td>3%</td></tr><tr><td>2012</td><td>3%</td></tr><tr><td>2013</td><td>1%</td></tr><tr><td>2014*</td><td>(3%)</td></tr></table>	Year	Growth	2010	3%	2011	3%	2012	3%	2013	1%	2014*	(3%)	GDP+ <p>We expect to grow our sales at GDP+ of the countries/ regions in which we operate.</p> <p>See page 41.</p>
Year	Growth														
2010	3%														
2011	3%														
2012	3%														
2013	1%														
2014*	(3%)														
Underlying profit growth	<p>Reported in the financial review for the relevant years and represents continuing operations.</p> <p>Demonstrates our ability to convert sales efficiently by delivering top quality packaging with high levels of customer service and tight management of own costs.</p>	<table><tr><th>Year</th><th>Growth</th></tr><tr><td>2010</td><td>92%</td></tr><tr><td>2011</td><td>37%</td></tr><tr><td>2012</td><td>10%</td></tr><tr><td>2013</td><td>4%</td></tr><tr><td>2014*</td><td>(3%)</td></tr></table>	Year	Growth	2010	92%	2011	37%	2012	10%	2013	4%	2014*	(3%)	GDP++ <p>As efficiencies and pricing offset cost inflation over time, we expect profit to grow at a faster rate than sales.</p>
Year	Growth														
2010	92%														
2011	37%														
2012	10%														
2013	4%														
2014*	(3%)														
Free cash flow	<p>The cash generated from continuing operations less capital expenditure, interest and tax.</p> <p>Measures how well we turn profit into cash through management of working capital and a disciplined approach to capital expenditure. A high level of cash generation is key to supporting our dividend policy (see page 2).</p>	<table><tr><th>Year</th><th>Value</th></tr><tr><td>2010</td><td>£238m</td></tr><tr><td>2011</td><td>£276m</td></tr><tr><td>2012</td><td>£207m</td></tr><tr><td>2013</td><td>£180m</td></tr><tr><td>2014</td><td>£225m</td></tr></table>	Year	Value	2010	£238m	2011	£276m	2012	£207m	2013	£180m	2014	£225m	In the range £150–£200m <p>Will vary according to investment plans including capital expenditure.</p> <p>See page 45.</p>
Year	Value														
2010	£238m														
2011	£276m														
2012	£207m														
2013	£180m														
2014	£225m														
Return on capital employed	<p>Underlying operating profit from total operations plus share of post tax profits of associates and JVs divided by the average of opening and closing shareholders' equity after adding back retirement benefit obligations (net of tax) and net borrowings.</p> <p>Demonstrates how we deliver against the various investments in the business: both organic capital expenditure and acquisitions.</p>	<table><tr><th>Year</th><th>Return</th></tr><tr><td>2010</td><td>12.2%</td></tr><tr><td>2011</td><td>13.5%</td></tr><tr><td>2012</td><td>14.5%</td></tr><tr><td>2013</td><td>15.5%</td></tr><tr><td>2014</td><td>14.9%</td></tr></table>	Year	Return	2010	12.2%	2011	13.5%	2012	14.5%	2013	15.5%	2014	14.9%	Over the cycle 15% <p>Depending on level of organic investment or number of acquisitions.</p> <p>See page 45.</p>
Year	Return														
2010	12.2%														
2011	13.5%														
2012	14.5%														
2013	15.5%														
2014	14.9%														
Emerging market sales	<p>Percentage of Group sales from markets such as Brazil, Russia, Latin America, India and other AMEA countries on a continuing operations basis.</p> <p>Shows the opportunity to develop our business in faster growing but more volatile markets.</p>	<table><tr><th>Year</th><th>Percentage</th></tr><tr><td>2010</td><td>36%</td></tr><tr><td>2011</td><td>37%</td></tr><tr><td>2012</td><td>37%</td></tr><tr><td>2013</td><td>35%</td></tr><tr><td>2014</td><td>38%</td></tr></table>	Year	Percentage	2010	36%	2011	37%	2012	37%	2013	35%	2014	38%	Around 40% over time <p>See page 8.</p>
Year	Percentage														
2010	36%														
2011	37%														
2012	37%														
2013	35%														
2014	38%														
Annual cost savings	<p>Improvements in our processes and systems efficiencies for continuing operations.</p> <p>Shows the results of our efforts to improve our cost base and develop a sustainable business.</p>	<table><tr><th>Year</th><th>Value</th></tr><tr><td>2010</td><td>£20m</td></tr><tr><td>2011</td><td>£22m</td></tr><tr><td>2012</td><td>£19m</td></tr><tr><td>2013</td><td>£21m</td></tr><tr><td>2014</td><td>£20m</td></tr></table>	Year	Value	2010	£20m	2011	£22m	2012	£19m	2013	£21m	2014	£20m	c £20m <p>The aim is to maintain savings at £20m. Efficiencies (and pricing) will help offset inflation over time.</p> <p>See page 25.</p>
Year	Value														
2010	£20m														
2011	£22m														
2012	£19m														
2013	£21m														
2014	£20m														

* Organic sales growth, which adjusts for the impact of foreign currency translation, was 4% in 2014, broadly in line with our volume growth. Organic operating profit growth in 2014 was 2%.

KPI	What we measure and why	Performance	Target																														
Lost time accident rate	<p>The number of lost time accidents multiplied by 200,000/total hours worked on a three year rolling average.</p> <p>Use of a common, globally recognised indicator ensures that we proactively manage and address any issues in a coordinated, consistent manner.</p>	<table><tr><th>Year</th><th>Lost time accident rate</th></tr><tr><td>2010</td><td>0.97</td></tr><tr><td>2011</td><td>0.62</td></tr><tr><td>2012</td><td>0.36</td></tr><tr><td>2013</td><td>0.30</td></tr><tr><td>2014</td><td>0.21</td></tr></table>	Year	Lost time accident rate	2010	0.97	2011	0.62	2012	0.36	2013	0.30	2014	0.21	<p>0 accidents</p> <p>The long term target is zero accidents pa with a near term target of 33% reduction between 2013 and 2020.</p> <p>See page 25.</p>																		
Year	Lost time accident rate																																
2010	0.97																																
2011	0.62																																
2012	0.36																																
2013	0.30																																
2014	0.21																																
Customer satisfaction score	<p>Annual measurement among our main customers of quality, number of complaints and on time in full deliveries.</p> <p>New measure from 2012 that reflects our ability to service our customers.</p>	<table><tr><th>Year</th><th>Customer satisfaction score</th></tr><tr><td>2010</td><td>n/a</td></tr><tr><td>2011</td><td>n/a</td></tr><tr><td>2012</td><td>7.10</td></tr><tr><td>2013</td><td>8.15</td></tr><tr><td>2014</td><td>7.98</td></tr></table>	Year	Customer satisfaction score	2010	n/a	2011	n/a	2012	7.10	2013	8.15	2014	7.98	<p>7.5 out of 10</p> <p>To improve on the global benchmark of similar companies.</p> <p>See page 21.</p>																		
Year	Customer satisfaction score																																
2010	n/a																																
2011	n/a																																
2012	7.10																																
2013	8.15																																
2014	7.98																																
Recycling rates	<p>We promote and actively support recycling systems for cans. Recycling directly avoids the production of an equivalent amount of virgin material and avoids littering.</p> <p>Measures the percentage of cans collected for recycling in our main markets.</p>	<table><tr><th>Year</th><th>Brazil</th><th>Turkey</th><th>Europe</th><th>US</th></tr><tr><td>2010</td><td>98%</td><td>98%</td><td>75%</td><td>58%</td></tr><tr><td>2011</td><td>98%</td><td>98%</td><td>75%</td><td>65%</td></tr><tr><td>2012</td><td>98%</td><td>98%</td><td>75%</td><td>67%</td></tr><tr><td>2013</td><td>98%</td><td>98%</td><td>75%</td><td>67%</td></tr><tr><td>2014</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td></tr></table>	Year	Brazil	Turkey	Europe	US	2010	98%	98%	75%	58%	2011	98%	98%	75%	65%	2012	98%	98%	75%	67%	2013	98%	98%	75%	67%	2014	n/a	n/a	n/a	n/a	<p>Regional industry targets</p> <p>See page 27.</p> <ul style="list-style-type: none">— Brazil— Turkey— Europe— US
Year	Brazil	Turkey	Europe	US																													
2010	98%	98%	75%	58%																													
2011	98%	98%	75%	65%																													
2012	98%	98%	75%	67%																													
2013	98%	98%	75%	67%																													
2014	n/a	n/a	n/a	n/a																													
Carbon intensity	<p>Measured as tonnes of CO₂e per million cans (normalised to a standardised can in each region).</p> <p>Demonstrates our commitment to progressively reduce the amount of carbon required to convert raw materials into cans.</p>	<table><tr><th>Year</th><th>Carbon intensity</th></tr><tr><td>2010</td><td>11.32</td></tr><tr><td>2011</td><td>10.84</td></tr><tr><td>2012</td><td>10.14</td></tr><tr><td>2013</td><td>10.07</td></tr><tr><td>2014</td><td>9.72</td></tr></table>	Year	Carbon intensity	2010	11.32	2011	10.84	2012	10.14	2013	10.07	2014	9.72	<p>7% lower by 2020</p> <p>(vs 2013 baseline)</p> <p>See page 10.</p>																		
Year	Carbon intensity																																
2010	11.32																																
2011	10.84																																
2012	10.14																																
2013	10.07																																
2014	9.72																																
Research and product development	<p>Shows the number of major projects that are on track to support the three streams of innovation: product of the future; core process improvement and plant of the future.</p> <p>New measure from 2013 that charts our progress in developing new products for our customers.</p>	<table><tr><th>Year</th><th>Research and product development</th></tr><tr><td>2010</td><td>n/a</td></tr><tr><td>2011</td><td>n/a</td></tr><tr><td>2012</td><td>n/a</td></tr><tr><td>2013</td><td>7</td></tr><tr><td>2014</td><td>12</td></tr></table>	Year	Research and product development	2010	n/a	2011	n/a	2012	n/a	2013	7	2014	12	<p>Minimum of five projects per year in progress</p> <p>See page 9.</p>																		
Year	Research and product development																																
2010	n/a																																
2011	n/a																																
2012	n/a																																
2013	7																																
2014	12																																
Employee engagement	<p>Based on global employee survey conducted at c 18 month intervals.</p> <p>Measures extent to which employees are motivated to contribute to organisational success and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organisational goals.</p>	<table><tr><th>Year</th><th>Employee engagement</th></tr><tr><td>2010</td><td>62%</td></tr><tr><td>2011</td><td>n/a</td></tr><tr><td>2012</td><td>69%</td></tr><tr><td>2013</td><td>72%</td></tr><tr><td>2014</td><td>n/a</td></tr></table>	Year	Employee engagement	2010	62%	2011	n/a	2012	69%	2013	72%	2014	n/a	<p>Continuous improvement</p> <p>See page 11.</p>																		
Year	Employee engagement																																
2010	62%																																
2011	n/a																																
2012	69%																																
2013	72%																																
2014	n/a																																

* The statutory figure spent in continuing operations on research and development which includes design, construction and testing of preproduction prototypes, models and processes is on page 85.

RISK MANAGEMENT

Our Group is exposed to a number of risks that can have a financial, operational and reputational impact. A proactive approach to the management of risk is therefore critical to the success of Rexam.

RISK OVERVIEW

Effective management of risk is essential to the delivery of our business objectives, to the achievement of sustainable growth and to the protection of our people, assets and reputation.

Risk management is continually evolving, and we have a well established approach to risk management that is responsive to changes in the business and operating environment. We ensure that key risks are fully defined and mitigating actions are in place to monitor and manage these risks. We maintain close working relationships between Group functions and business units to understand and address risks. Additionally, for benchmarking, we obtain external input on current and future risk trends and concerns.

We strive to ensure that risk management is embedded into day to day business processes and operations such that it overlays at all levels of the organisation (see page 16). This ensures that potential risks are identified at an early stage, escalated as appropriate and mitigations are put in place to manage such risks. Through the risk management process and communication, there is a robust periodic risk review involving all functions at Group level and senior representatives of individual business units. We recognise the importance of risk awareness and of the risk escalation process, and we continue to cultivate an appropriate risk culture in our businesses.

Senior executive management formally review risks and mitigations for the Group and each of the business units biannually. The review focuses on identifying risks that could significantly impact the business and considers in detail the various impacts of the risks and the mitigations in place. The Audit and Risk Committee (see page 57) continues to review the overall risk profile of the Group and validate the risk register, to ensure that the Committee remains effective in discharging its responsibility to the board. The Committee also receives updates on emerging or topical risks as part of the review process, including reviews with our businesses. Two of the four regions, South America and North America, presented their risks and mitigation plans to the Audit and Risk Committee in person during the year. We also regularly assess the risks and monitor the key risk indicators in the light of changes and development around the Group's operating and external environment, and this is reported to the board each month.

KEY ACTIVITIES DURING 2014

Our global volumes grew across the business in 2014 but the competitive environment remained challenging. Also, there continues to be exposure to commodity prices, metal premiums and other costs, as well as the trend towards global procurement contracts by our customers. These risks were assessed and mitigating actions were put in place to address and respond to the risk events.

We continue to work on the development of our Enterprise Risk Management (ERM) framework. The focus of the risk programme in 2014 included the extension of risk based auditing; completion of a risk maturity survey which gave confirmation of our approach and identified some opportunities for further development; anti fraud and bribery workshops throughout the business and business continuity management workshops. We also continued the development of a three year Group world class safety roadmap.

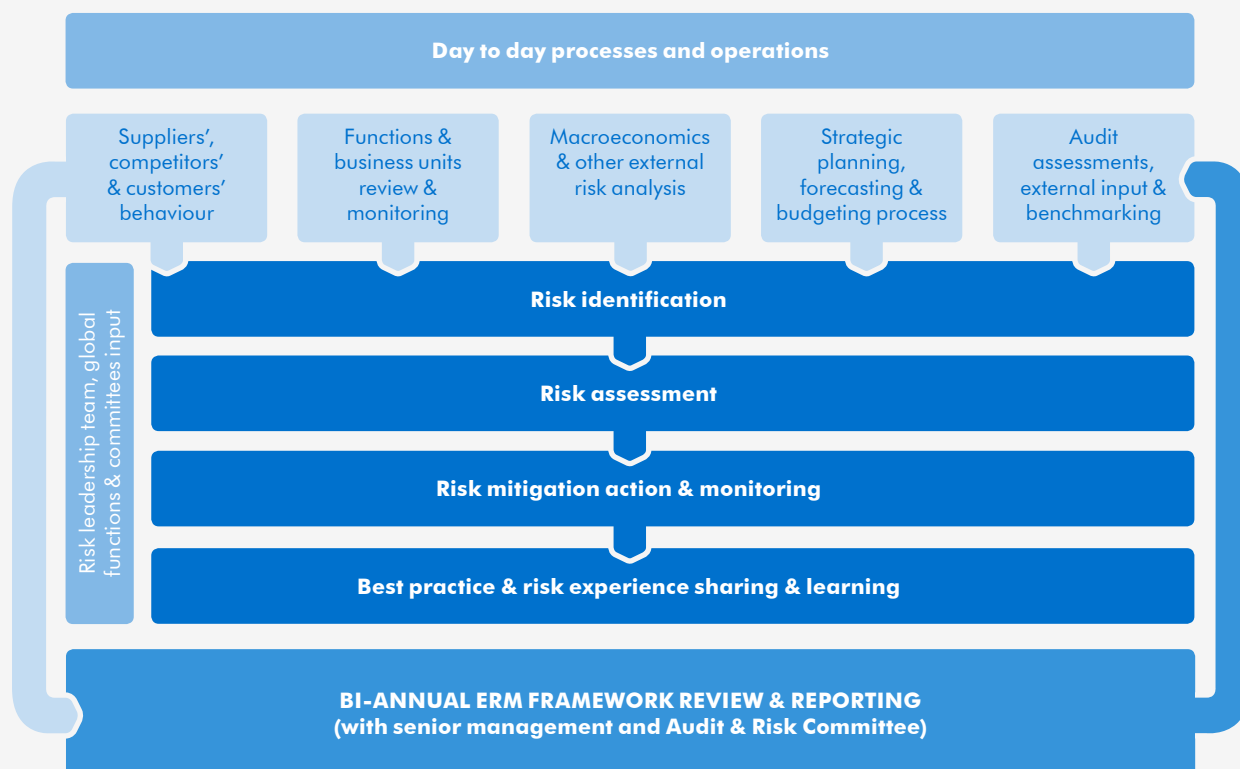
Additionally, we made improvements to the risk management system to improve efficiency in reporting. We also introduced the concept of 'risk velocity' and appropriate risk ratings, which will be applied to risk reviews from 2015 onwards.

2015 focus

The focus for Group ERM in 2015 will include business continuity management to ensure resilience, reviewing long term risks with Group Sustainability, developing new tools for commodity exposures and improving our competitive advantage. We will continue with our efforts to ensure that the people who work in our business remain safe.

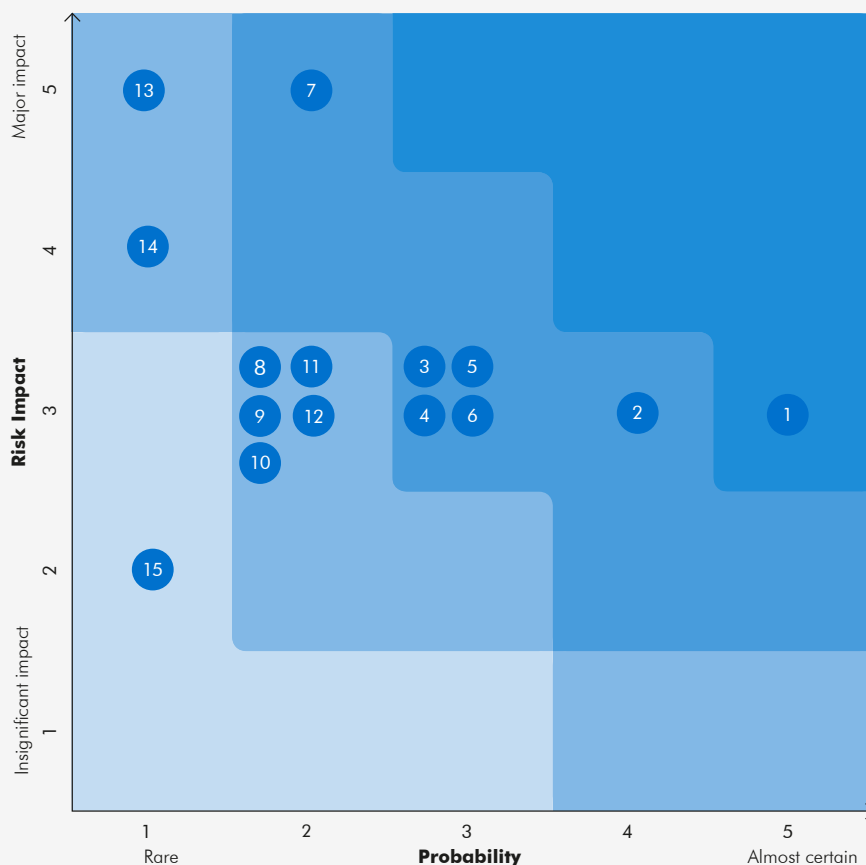
Internal audit has increased its scope and remit to ensure the effectiveness of our risk mitigation plans and actions and this will be further extended during 2015.

REXAM RISK MANAGEMENT PROCESS



REXAM RISK MANAGEMENT TOOL – HEAT MAP MATRIX

- 1 Competitive environment trends
- 2 Continued economic slowdown
- 3 Financial impact from country based instability
- 4 Cyber attack and data security
- 5 Aluminium and other input cost increases
- 6 Business interruption
- 7 Tax risks
- 8 Changes in consumer tastes, nutritional preferences, health related concerns and environment related concerns
- 9 Environmental, fire, health and safety
- 10 Changes in packaging legislation and regulatory environment
- 11 Pension deficit
- 12 Fraud, bribery and internal control failure
- 13 Funding
- 14 Counterparty default
- 15 Insufficient talent and knowledge capital








SUMMARY OF PRINCIPAL RISKS AND UNCERTAINTIES

The table below sets out what we believe to be the principal risks and uncertainties facing the business. Each is linked to one or more of our strategic priorities:

- 1: Strengthen customer relationships
- 2: Invest to capture growth
- 3: Operational excellence
- 4: Shape our future
- 5: Build a winning organisation




The table does not cover all of the risks that the Group may face. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this report may also have an adverse effect on the Group.




Risk and description	Potential impact and key mitigations	2014 Assessment	2014 Movement
Competitive environment trends The risk of adverse commercial impact on Rexam from customer and competitor activities. This risk can be driven by dependency on key customers, competitor activities and behaviours, price and volume pressure or contract negotiations. Strategic priorities: 1, 2, 3, 4	Potential impact Adverse business performance, price and volume pressure, adverse terms and margin erosion. Key mitigations We continue to focus on value adding service and innovation, as well as investing in our production capacity and our capabilities to strengthen relationships with our customers and optimise our competitive cost position. See also page 21. During the year, we carried out global bids and negotiations with some of our major customers, implemented a customer and competitor strategy review and analysis, worked to improve our pricing process and focused on cost reduction and efficiency.		Increased
Continued economic slowdown The risk of economic slowdown and sluggish recovery in Rexam's key markets and its impact upon demand for consumer packaging. This remains one of the key risks for the Group. Strategic priorities: 1, 2, 3	Potential impact Adverse business performance, price and volume pressure, and eroded customer and consumer confidence. Key mitigations Rexam continues to manage capital investment closely and is focused on maximising utilisation of assets to ensure we align our capacity with volume demand. We use scenario planning and modelling based on potential upside and downside risk analysis within our strategic planning and annual budgeting and forecasting processes to identify mitigating actions which would be implemented should this risk increase further. Continued cost improvement measures were implemented during 2014 with ongoing focus on lean initiatives, efficiency savings, supply chain management and innovation (see pages 9 and 10).		Stable
Financial impact from country based instability The risk of political, socioeconomic and legal uncertainties within a country or region that Rexam operates in and its impact on our performance. Our expansion in emerging markets means that this is a risk area to which we will continue to be exposed. Strategic priorities: 2, 4	Potential impact Social unrest, liquidity issues, currency fluctuations and lack of availability, trade sanctions affecting our business, political instability, war and terrorism, security threat to our people and assets. Key mitigations Emerging market risks are assessed in detail by management when considering investment opportunities through due diligence reviews prior to investment and risk assessment during capital evaluation process. We leverage on the ground market and country intelligence from local management with support from external advisors. Additionally, business continuity plans are in place at plant, sector and Group level, and these plans were reviewed, benchmarked and tested in 2014. Preparedness plans have been built for operations in countries facing rapidly changing environments. Actions to further improve business continuity management were identified during the year and will be implemented going forward. For update on our operations in Russia, see page 12.		Increased

Risk and description	Potential impact and key mitigations	2014 Assessment	2014 Movement
<p>Cyber attack and data security Risks of a data security incident which could be driven by, for example, cyber attack, virus, or technology failure.</p> <p>Strategic priorities: 4</p>	<p>Potential impact Business interruption, financial losses, loss of confidential data, negative reputational impact and breach of regulations.</p> <p>Key mitigations Rexam's IT security procedures and processes (including mobile devices and Cloud services) are in place, covering areas around antivirus software, backups, access and password control. Disaster recovery plans are also in place and these are tested twice a year along with system penetration and vulnerability tests. In the case of a disaster or technology failure, there are clear responsibilities between IT and business units to ensure operations can continue during any downtime.</p> <p>In 2014, an information asset review was completed. Additionally, we rolled out laptop encryption and standardised and improved access controls to desktops. The transformation of the global data centre is progressing as planned. Other ongoing projects are the installation of a vulnerability tool on our network to improve visibility of server operating systems and the implementation of role based restrictions on our key transactions to improve controls to sensitive access.</p>		<p>Stable</p>
<p>Aluminium and other input costs increases Aluminium represents our most significant raw material cost, followed by metal premiums, other raw materials, energy and fuel costs. These costs are driven by market volatility, regulatory changes and requirements, and non controllable costs.</p> <p>Strategic priorities: 1, 3</p>	<p>Potential impact Margin erosion, loss of volumes, loss of competitive advantage against direct competitors or other beverage packaging products.</p> <p>Key mitigations The majority of our aluminium ingot costs are charged to our customers on a pass through or back to back hedged pass through basis. For the remaining aluminium, hedging strategy and mechanisms are in place to manage the aluminium cost and associated currency exposures. The conversion cost from ingot to aluminium coil is covered by long term supply contracts.</p> <p>During the year, there was a significant increase in aluminium premiums due to increasing warehouse queue and availability issues. The new LME rules on warehouse load out rates were implemented in February 2015, which could normalise premium levels in the longer term. (See also page 8.) In Brazil, we have entered into a medium term contract with an energy provider to manage the energy cost and supply exposure as a result of the continuing drought crisis in the country.</p>		<p>Increased</p>

SUMMARY OF PRINCIPAL RISKS AND UNCERTAINTIES




CONTINUED


Risk and description	Potential impact and key mitigations	2014 Assessment	2014 Movement
Business interruption Every business faces the potential risk of a major disruption to internal facilities or the external supply chain which could be caused by natural disaster, loss or scarcity of supply, industrial disputes, supplier failure, technology failure, unplanned outages and physical damage as a result of fire or other such event. Strategic priorities: 1, 3, 5	Potential impact Operational disruption, a significant adverse impact on our ability to meet customer requirements, potential additional contractual liabilities and a consequential impact on financial performance. Key mitigations There are established business continuity management protocols and procedures across the Group, and clarity on responsibilities between Group functions and business units, in the event of disaster. Ongoing maintenance programmes are also in place at manufacturing plants and facilities. Strong relationships with suppliers enable us to make flexible sourcing arrangements for key supplies and we ensure appropriate levels of inventory are maintained. Additionally, mechanisms are in place to monitor the financial and operational viability of our key suppliers. Insurance programmes, reviewed on an ongoing basis, are in place to cover losses associated with business interruption for a stipulated period as a result of property damage or supply failure. There were no significant changes during 2014. Business units across the Group continued to focus on risk mitigation, including the drawing up, refinement and testing of business continuity and disaster recovery plans.		Increased
Tax risks In an increasingly complex international tax environment, some uncertainties are inevitable in estimating our tax liabilities. Strategic priorities: 4	Potential impact Additional tax liabilities, fines and penalties, and reputational impact. Key mitigations We seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. Tax planning will complement and be based around the needs of our operating businesses. With dedicated internal tax experts and the use of external tax advisors where required, we exercise our judgement in assessing the required level of provision for tax risk and allocate resources appropriately to protect our position.		Stable
Changes in consumer tastes, nutritional preferences, health and environment related concerns The risk of changing consumer trends resulting in a shift in demand away from beverage cans or from our customers' products for which Rexam manufactures packaging. Drivers of this risk can include lifestyle and taste changes, nutrition and health considerations or environmental concerns. Strategic priorities: 1, 4	Potential impact Adverse business performance, loss of market share or business and being substituted by other forms of beverage packaging products. Key mitigations We continue to monitor and focus on market and consumer trends as well as political developments through internal and external business intelligence services and through our involvement in national and international packaging and environmental associations in the jurisdictions in which we operate.		Stable

Risk and description	Potential impact and key mitigations	2014 Assessment	2014 Movement
Environmental, fire, health and safety The risk of a significant environmental contamination, fire or health and safety issue at one of our locations. Strategic priorities: 5	Potential impact Health and safety incident, financial exposure, business disruption and reputational damage. Key mitigations We continue to carry out regular environment, health and safety (EHS) audits in cooperation with internal and external specialists to drive best practice. The audit approach provides the basis for delivering a more sustainable and robust improvement of EHS management systems and performance at all sites and strives for continuous improvement in our key health and safety KPI measures. During the year, we continued with our fire safety and property protection audit supported and performed by an independent provider, and invested a total of c £5m in fire safety and property protection. We have also developed a three year world class safety roadmap. See also page 25.		Stable
Changes in packaging legislation and regulatory environment The Group is subject to applicable laws and regulations in the global jurisdictions in which Rexam operates. Packaging will continue to be a focus for government legislators working within the sustainability agenda. Strategic priorities: 4	Potential impact Changes in packaging legislation and regulation could affect producer responsibility for recycling, recycled content and carbon footprint, while landfill taxation represents an increasing risk. Key mitigations Rexam continually monitors developments in laws and regulations in the jurisdictions that may affect our business. This is performed through established and effective membership of relevant trade associations, by direct collaboration with governmental and non governmental organisations and through our own efforts which include a legislative risk monitoring tool. This ensures the best possible chance of shaping a constructive outcome which is not detrimental to Rexam or its stakeholders. Rexam also focuses on investment in new innovation and technology programmes to ensure continuous enhancements in our packaging products and manufacturing processes. See also page 10 in relation to our sustainability strategy.		Stable
Pension deficit Risk relates to cash contributions, charges to the income statement and balance sheet volatility. Strategic priorities: 5	Potential impact Adverse financial impact to the Group as a result of a pension deficit. Key mitigations Rexam's retirement benefit risk management is overseen by the Retirement Benefits Committee (RBC) which is chaired by the finance director. The RBC reviews all proposed new undertakings and improvements to retirement benefits. Managing pension deficit volatility on the balance sheet and general derisking of funded plans, which includes equity, interest rate and inflation risks, are undertaken by pension plan fiduciaries in consultation with the RBC. Cash contributions are paid to the respective plans to ensure that there are adequate assets to meet the plans' obligations. (See page 44.)		Stable

SUMMARY OF PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

Risk and description	Potential impact and key mitigations	2014 Assessment	2014 Movement
Fraud, bribery and internal control failure The risk of an internal control failure such as a Rexam employee committing fraud or bribery due to lack of integrity or awareness. Strategic priorities: 5	Potential impact Financial loss, reputational damage and breach of laws. Key mitigations The Rexam Code of Conduct provides a framework for all of our policies at Group, sector and individual businesses. A Group control framework, setting out key financial controls to be applied across the Group, is in place to ensure consistency and further enhance the control environment. Rexam's Raise Your Concern (whistle blowing) hotline also allows employees to raise any concerns regarding behaviour that does not conform to Rexam policies. This was reviewed and relaunched during 2014. During the year, anti fraud and bribery workshops were held across the Group to increase employees' awareness and ensure compliance. Additional workshops will continue to be rolled out in 2015. New service providers were appointed for the whistle blowing hotline and online compliance training respectively, in order to obtain the required service level in meeting our objectives in these areas.		Stable
Funding and other financial risks Risks related to the cost and availability of funds to meet our business needs, movements in interest rates, foreign currency exchange rates as well as commodity prices. Strategic priorities: 2, 3	Potential impact Financial exposure due to interest rates, foreign currencies and commodities price volatility, and lack of funding to meet our requirements. Key mitigations Rexam's financial risk management is based upon sound economic objectives and good corporate practice. Rexam negotiates funding requirements in a timely manner ensuring appropriate headroom is secured to mitigate the risk of lack of availability. Derivative and other financial instruments are used to manage exposures under conditions agreed by the board. Further details of our financial risks and the way in which we mitigate them are set out in note 24 to the consolidated financial statements.		Stable
Counterparty default Risk of counterparty failure including, for example, bank, insurer, customer or supplier. The continued challenging macroeconomic environment in certain regions or countries in which Rexam operates requires focus in this area.	Potential impact Financial losses, service and supply disruptions. Key mitigations A range of financial counterparties are used, and we apply strict limits (determined by qualitative and quantitative measures) on our exposure to each of them. The risk of insurer failure is monitored by our insurance broker and reported to Rexam immediately if an issue arises. Customer credit limits are imposed and their credit risk, as well as suppliers', is reviewed and monitored. In addition, there are procedures across the Group to manage working capital tightly, including customers' overdue debts reporting.		Decreased

Risk and description	Potential impact and key mitigations	2014 Assessment	2014 Movement
<p>Insufficient talent and knowledge capital Risk of insufficient talent and lack of high quality knowledge capital.</p> <p>Strategic priorities: 5</p>	<p>Potential impact Performance declines or lack of growth due to lack of bench strength.</p> <p>Key mitigations As part of our focus to build a winning organisation, we continue to invest in active talent management, succession planning and the development needs of our employees. We also carry out an employee survey across the Group approximately every 18 months and review the outcome of the survey to address areas that require improvement. (See also page 29.)</p>		<p>Stable</p>
<p>An additional risk has been added in light of the Ball offer for Rexam. The transaction may not complete if any regulatory pre condition and/or other conditions to which the offer is subject are not satisfied or waived.</p>			
<p>Rexam PLC takeover The risks associated with Rexam PLC being taken over by another organisation. These risks may have a significant impact on key relationships with customers, suppliers, employees and other stakeholders due to the lack of certainty regarding completion of the transaction and how it will be implemented.</p>	<p>Potential impact Negotiations with customers and suppliers may prove more difficult.</p> <p>Potential business interruption due to employee turnover or resignation may consequently lead to loss of valuable experience, expertise and business networks.</p> <p>Key mitigations All major customers and suppliers have existing contracts in place and will have senior level interactions to ensure business as usual.</p> <p>Internally appropriate communication and retention/compensation packages will be put in place to enable employee engagement and retention.</p> <p>External communication with all stakeholders will be managed across the Group in a co-ordinated and consistent manner.</p>		

FINANCIAL REVIEW



In 2014, we delivered a good financial performance against a backdrop of volatile foreign currency translation and rising costs. Our strong focus on cost, capital discipline and cash maintained our good track record of returns to shareholders.

This financial review of our results is 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 operating and financing derivatives (together 'exceptional and other items'). We believe that the underlying figures aid comparison and understanding of the Group's financial performance.

The Healthcare business was sold in the first half of 2014. Further details of the trading results of the Healthcare business, together with the accounting impact of the disposal, are set out in 'Discontinued operations' below.

	Continuing operations £m	Discontinued operations (Healthcare) £m	Total operations £m
2014			
Underlying business performance ¹ :			
Total sales	3,832	164	3,996
Underlying operating profit	418	25	443
Share of associates and joint ventures profit after tax	10	–	10
Underlying total net finance cost ²	(68)	–	(68)
Underlying profit before tax	360	25	385
Underlying profit after tax	274	15	289
Exceptional and other items after tax	(7)	75	68
Profit for the year	267	90	357
Underlying earnings per share (p)	37.2		39.2
Basic earnings per share (p)	36.2		48.4
Interim dividend per share (p)			5.8
Proposed ³ final dividend per share (p)			11.9

	Continuing operations £m	Discontinued operations (Healthcare) £m	Total operations £m
2013			
Underlying business performance ¹ :			
Total sales	3,943	448	4,391
Underlying operating profit	449	64	513
Share of associates and joint ventures profit after tax	9	–	9
Underlying total net finance cost ²	(86)	(2)	(88)
Underlying profit before tax	372	62	434
Underlying profit after tax	279	42	321
Exceptional and other items after tax	(26)	(200)	(226)
Profit/(loss) for the year	253	(158)	95
Underlying earnings per share	(p) 35.3		40.6
Basic earnings per share	(p) 32.0		12.0
Interim dividend per share	(p)		5.7
Final dividend per share	(p)		11.7

- 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 for total operations of £68m (2013: £88m) comprises net interest of £52m (2013: £72m) and retirement benefit obligations net interest cost of £16m (2013: £16m).
- 3 Subject to approval at the AGM 2015 and payable on 27 May 2015.

SUMMARY OF THE STATUTORY PERFORMANCE

	2014 £m	2013 £m
Continuing operations:		
Sales	3,832	3,943
Profit before tax	343	339
Profit after tax	267	253
Discontinued operations – profit/(loss) for the year:	90	(158)
Profit for the year attributable to Rexam PLC	357	95
Basic earnings per share (p)	48.4	12.0

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 43 and 44. For continuing operations, sales were £3,832m (2013: £3,943m) and profit before tax including exceptional and other items was £343m (2013: £339m). Total profit after tax, including the results of discontinued operations, was £357m (2013: £95m) and basic earnings per share was 48.4p (2013: 12.0p).

RECONCILIATION OF UNDERLYING TO STATUTORY PERFORMANCE

	Operating profit £m	Profit before tax £m
Underlying	418	360
Exceptional items	(20)	(20)
Amortisation of certain acquired intangibles	(1)	(1)
Fair value changes on certain operating derivatives	5	5
Fair value changes on financing derivatives	–	(1)
Statutory	402	343

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 Healthcare which was sold in the year. Organic change is the year on year change arising on continuing operations at constant exchange rates.

In order to provide additional transparency of the underlying business performance, two segments are now presented following the disposal of Healthcare; Beverage Cans Europe & Rest of World (ROW) and Beverage Cans Americas.

ANALYSIS OF SALES MOVEMENT

	Beverage Cans Europe & ROW £m	Beverage Cans Americas £m	Total £m
Continuing operations reported sales 2013	1,760	2,183	3,943
Currency fluctuations	(135)	(119)	(254)
Continuing operations 2013 pro forma basis	1,625	2,064	3,689
Organic change in sales	80	63	143
Continuing operations sales reported 2014	1,705	2,127	3,832

Organic sales, which exclude the impact of discontinued operations and currency, increased by £143m. This included the negative pass through of lower aluminium costs (£19m). Excluding this impact, sales were £162m higher than prior year reflecting overall volume growth of 4%. Volumes improved significantly in South America in both standard and specialty cans due principally to the FIFA World Cup. Volumes in Western Europe grew 3% and volumes in our AMEA region grew significantly due to strong market growth and increased volumes from our specialty can investment. Volumes in North America and Russia were below last year, reflecting softening market demand.

FINANCIAL REVIEW

CONTINUED

ANALYSIS OF UNDERLYING OPERATING PROFIT MOVEMENT

	Beverage Cans Europe & ROW £m	Beverage Cans Americas £m	Total £m
Continuing operations underlying operating profit reported 2013	199	250	449
Currency fluctuations	(24)	(15)	(39)
Continuing operations 2013 pro forma basis	175	235	410
Organic change in underlying operating profit	8	–	8
Continuing operations underlying operating profit reported 2014	183	235	418

A further analysis of the organic change in underlying operating profit is set out below:

	Total £m
Sales price and cost changes	(28)
Metal premium costs	(34)
Indirect tax credit Brazil	18
Volume and mix changes	32
Efficiency savings	20
Organic change in underlying operating profit	8

Underlying operating profit, after adjusting for the impact of discontinued operations, disposals and currency, increased by £8m or 2%. Sales price and cost changes were adverse in aggregate, predominantly from higher aluminium premium costs, partially offset by a one off indirect tax benefit in Brazil. Volume growth in South America, Europe and AMEA was partly offset by the negative mix impact of weaker volumes in Russia and the maturing of the specialty cans market in North America. Efficiency savings totalled £20m and comprised predominantly metal savings and energy cost reductions.

EXCHANGE RATES

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

	2014	2013
Average:		
Euro	1.24	1.18
US dollar	1.65	1.56
Russian rouble	63.29	49.87
Closing:		
Euro	1.28	1.20
US dollar	1.56	1.65
Russian rouble	90.79	54.48

ANALYSIS OF CURRENCY IN THE CONSOLIDATED INCOME STATEMENT

The principal currencies that impact our results are the US dollar, the euro and the Russian rouble. All these currencies weakened against sterling in the year. The net effect of currency translation caused sales and underlying operating profit from ongoing operations to decrease by £254m and £39m respectively compared with 2013 as shown below.

	Sales £m	Underlying operating profit £m
US dollar	(123)	(15)
Russian rouble	(54)	(16)
Euro	(42)	(5)
Other currencies	(35)	(3)
	(254)	(39)

If we retranslated the 2014 underlying operating profit at closing exchange rates, it would be c £8m lower.

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.

Analysis of currency on the consolidated balance sheet

Most of the Group's borrowings and net assets are denominated in US dollars and euros. Currency movements increased net borrowings by £47m and reduced net equity by £104m.

UNDERLYING TOTAL NET FINANCE COST

	2014 £m	2013 £m
Net interest	(52)	(70)
Retirement benefit obligations net interest cost	(16)	(16)
Underlying total net finance cost	(68)	(86)

The underlying total net finance cost for continuing operations was £18m lower than 2013. The £18m reduction in net interest is primarily due to lower interest rates as higher cost bonds were repaid in 2013, and lower average debt. The retirement benefits net interest cost is explained in 'Retirement benefits' below. The overall average interest rate for the year was around 4%, down from 5% in 2013. Based on underlying operating profit from continuing operations, interest cover was 8.0 times (2013: 6.4 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 £96m (25%) (2013: £113m, 26%).

The tax charge applicable to underlying profit from continuing operations before exceptional and other items is £86m (24%) (2013: £93m, 25%) which is at a lower rate than total operations as the Healthcare businesses included in discontinued operations were generally in more highly taxed territories. Our rate varies to some extent in line with our profit mix across our businesses. We anticipate the sustainable rate on continuing operations going forward will be in a range of 24% to 26%, reflecting the territories in which we operate, as well as the availability of tax incentives in some jurisdictions. A number of factors can cause the final tax charge to vary from the weighted average tax rate of the countries of the Group's operations. In 2014, the charge has additionally been impacted by reassessment of deferred tax balances, movements in provisions for uncertain tax positions, and tax incentives, offset to some extent by withholding taxes and other charges on the repatriation of profits.

Tax cash payments in the year for continuing operations were £63m compared with £70m last year with £nil (2013: £7m) being borne by discontinued operations. Cash taxes can vary from the charge in the income statement for a number of reasons. The most material of these has been the utilisation of deferred tax assets such as tax losses, but in addition our cash payments can be affected by local laws governing the timing of certain tax deductions, and payments of taxes sometimes falling outside of the year to which they relate or settlement of provisions. 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 2014 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:			
Restructuring of businesses	(15)	2	(13)
Other exceptional items	(5)	–	(5)
Amortisation of certain acquired intangible assets	(1)	–	(1)
Fair value changes on certain operating derivatives	5	–	5
Total exceptional and other items included in operating profit	(16)	2	(14)
Fair value changes on financing derivatives	(1)	–	(1)
Total exceptional and other items before tax	(17)	2	(15)
Tax on exceptional and other items	10	–	10
Disposal of businesses (net of tax)	–	73	73
Exceptional and other items after tax	(7)	75	68

Disposal of businesses

The gain of £73m relates to the completion of the disposal of Healthcare as described in 'Discontinued operations' below.

Restructuring of businesses and other exceptional items

In 2014, the restructuring charge of £15m relates to reorganisation costs for the European beverage can business and costs incurred with respect to conversion of steel beverage can lines to aluminium.

Other exceptional items of £5m include legal and environmental provisions.

As detailed in the chief executive's review, we are commencing a restructuring programme to reduce our cost base and increase our productivity and competitiveness in Europe.

The table below presents the total costs (both cash and non cash) associated with this programme, the capital expenditure required to execute and the savings expected to be realised.

	2015 £m	2016 £m	2017 £m	Total £m
Profit and loss cash costs	(5)	(25)	(50)	(80)
Profit and loss non cash costs	(30)	(30)	–	(60)
Total profit and loss costs	(35)	(55)	(50)	(140)
Capital expenditure	(30)	(40)	–	(70)
Savings	5	25	50	50 ¹

1 Annualised saving.

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 board consider that separate disclosure, within exceptional and other items, of the amortisation of such acquired intangibles relating to total operations amounting to £1m (2013: £10m) 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 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 and metal premium of our aluminium coil is included when calculating the effectiveness of our underlying hedged item, despite the fact that we hedge only the underlying LME portion of the aluminium coils. Revised accounting standards are being drafted which will address this particular anomaly but they are not currently expected to be implemented before 2017.

During 2014 some of the aluminium hedges failed the effectiveness test. Once a hedge has failed an effectiveness test, accounting standards do not allow for it to be retrospectively redesignated and therefore fair value movements will continue to be recorded in the income statement. The change in aluminium prices on these failed aluminium hedges has given rise to a gain of £3m (2013: charge of £23m). There was also a gain of £2m (2013: charge of £1m) relating to fair value changes on certain non hedged accounted commodity and foreign exchange contracts.

FINANCIAL REVIEW

CONTINUED

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 £1m (2013: net loss £1m).

DISCONTINUED OPERATIONS – HEALTHCARE

The Healthcare businesses were disposed of in the year. The Pharma and Prescription businesses were sold on 2 May 2014 and the Healthcare Closures business sold on 2 June 2014.

	Healthcare 2014 £m	Healthcare 2013 £m
Sales	164	448
Underlying operating profit	25	64
Underlying profit before tax	25	62
Underlying profit after tax	15	42
Exceptional and other items:		
Impairment	–	(233)
Amortisation of certain acquired intangible assets	–	(8)
Restructuring and other items	2	(1)
Tax on exceptional and other items	–	34
Exceptional and other items after tax	2	(208)
Profit on disposal (net of tax)	73	8
Profit/(loss) for the year after tax	90	(158)

Healthcare underlying operating profit was £25m, £39m lower than 2013 reflecting the timing of the disposal.

An impairment review on the carrying value of Healthcare was carried out in the second half of 2013, giving rise to an impairment charge before tax of £233m. The disposal of Healthcare in 2014 resulted in a gain of £73m, principally due to a positive foreign exchange translation movement in reserves which has been recycled back to the income statement on disposal, partly offset by a movement in deferred tax assets relating to the disposal.

EARNINGS PER SHARE

	2014	2013
Underlying earnings per share:		
Continuing operations (pence)	37.2	35.3
Total operations (pence)	39.2	40.6
Basic earnings per share total operations (pence)	48.4	12.0
Average number of shares in issue (millions)	737.1	791.3
Year end number of shares in issue (millions)	704.8	792.0

Underlying earnings per share from continuing operations was 5% higher at 37.2p compared with 35.3p in 2013. The average number of shares in issue has reduced following the share consolidation in June 2014 which accompanied the return of cash. Basic earnings per share from total operations, which includes exceptional and other items, was 48.4p (2013: 12.0p).

RETIREMENT BENEFITS

Retirement benefit obligations (net of tax) as at 31 December 2014 were £258m, a decrease of £30m compared with £288m reported at 31 December 2013. This change was principally due to cash contributions and actuarial gains. These actuarial gains are included in the consolidated statement of comprehensive income.

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

	2014 £m	2013 £m
Defined benefit plans	12	12
Retiree medical – interest on liabilities	4	4
Retirement benefit obligations net interest cost	16	16

The overall retirement benefit obligations net interest cost, which is a non cash accounting charge, remained at £16m.

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

	2014 £m	2013 £m
Defined benefit pension plans	43	46
Other pension plans	6	7
Retiree medical	9	9
Total cash payments	58	62

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 31 December 2014 £40m had been paid into the escrow investment account.

Based on current actuarial projections, it is expected that total cash payments in 2015 will be broadly in line with 2014.

CASH FLOW

Total free cash flow for the year from continuing operations resulted in an inflow of £225m compared with £180m for 2013. This higher inflow primarily reflects an inflow in working capital, partly offset by higher capital expenditure. Net cash flow was £594m (2013: £37m), including free cash flow from discontinued businesses and is after paying dividends. The return of cash to shareholders (c £450m) resulting from the sale of Healthcare is reported separately.

	2014 £m	2013 £m
Continuing operations:		
Underlying operating profit	418	449
Depreciation and amortisation ¹	141	143
Retirement benefit obligations	(29)	(32)
Change in working capital	14	(49)
Restructuring costs	(13)	(6)
Other movements	(11)	1
Cash generated	520	506
Capital expenditure (net)	(195)	(186)
Net interest and tax paid	(107)	(140)
Loan from joint venture	7	–
Free cash flow from continuing operations	225	180
Free cash flow from discontinued operations	(31)	5
Free cash flow	194	185
Equity dividends	(133)	(125)
Business cash flow	61	60
Acquisitions	(4)	–
Disposals ²	537	(23)
Cash flow including borrowings disposed	594	37
Return of cash to shareholders	(450)	(393)
Other share capital changes	(4)	(17)
Pension escrow investment	(15)	(25)
Exchange differences	(47)	–
Other non cash movements	(5)	8
Net borrowings at the beginning of the year	(1,171)	(781)
Net borrowings at the end of the year	(1,098)	(1,171)

1 Excludes amortisation of certain acquired intangibles amounting to £1m (2013: £2m).

2 Disposal proceeds include £80m in respect of borrowings disposed (2013: £nil).

CAPITAL EXPENDITURE – CONTINUING OPERATIONS

	2014	2013
Capital expenditure (gross) ¹ (£m)	196	187
Depreciation and amortisation ² (£m)	141	143
Ratio (times)	1.4	1.3

1 Capital expenditure is on a cash basis and includes computer software that has been capitalised.

2 Amortisation excludes £1m amortised on customer contracts and intangibles other than computer software (2013: £2m).

Gross capital expenditure by continuing operations was £196m, around 1.4 times depreciation and amortisation, of which approximately 60% was attributable to strategic and growth projects. The principal projects were to support market growth in Europe, India and South America, further investment in our Fusion® bottle manufacturing capability and the development of specialty can products globally.

It is expected that capital expenditure from continuing operations in 2015 will be around £240m, 1.6 times depreciation and amortisation (excluding capital expenditure associated with the European restructuring detailed earlier).

BALANCE SHEET AND BORROWINGS

	As at 31.12.14 £m	As at 31.12.13 £m
Goodwill and other intangible assets	1,244	1,266
Property, plant and equipment	1,275	1,257
Retirement benefits (net of tax)	(258)	(288)
Net assets classified as held for sale	–	533
Other net assets	251	272
	2,512	3,040
Total equity	1,414	1,869
Net borrowings ¹	1,098	1,171
	2,512	3,040
Return on capital employed ² (%)	14.9	15.5
Net borrowings/EBITDA ³ (times)	2.0	1.8
Interest cover ⁴ (times)	8.0	6.4
Gearing ⁵ (%)	78	63

1 Net borrowings comprise borrowings, cash and cash equivalents and financing derivatives.

2 Underlying operating profit plus share of associates and joint ventures profit after tax from total operations divided by the average of opening and closing 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, excluding amortisation of certain acquired intangible assets, from continuing operations (2013: total operations).

4 Based on underlying operating profit of continuing operations divided by underlying total net interest expense from continuing operations.

5 Based on net borrowings divided by total equity.

FINANCIAL REVIEW

CONTINUED

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

	As at 31.12.14 £m	As at 31.12.13 £m
Borrowings	1,416	1,480
Cash and cash equivalents	(288)	(211)
Financing derivatives	(30)	(98)
Net borrowings	1,098	1,171

Net borrowings/EBITDA based on continuing operations was 2.0 times (2013 total operations: 1.8 times). Interest cover is over 8 times and we remain comfortably within our debt covenants. Our liquidity is strong with committed debt facilities of £2.2bn at the year end.

The Group's current principal committed loan and bank facilities are detailed below:

	Currency	Maturity	Facility £m
Subordinated bond	US\$ and euro	2067	634
US private placement	US\$	2024	112
US private placement	US\$	2022	349
US private placement	Euro	2022	20
Revolving credit facility	Multi currency	2018 ¹	602
Bilateral credit facilities	Multi currency	2018 ¹	205
Bilateral credit facility	Multi currency	2016	10
Bilateral credit facility	Sterling	2015	250
Total committed loan and bank facilities			2,182

¹ Subsequent to the year end, the maturity was extended to December 2019 with an option to extend to December 2021.

For the management of foreign currency asset matching and interest rate risk, the profile of gross borrowings is approximately 58% (2013: 68%) in US dollars and 42% (2013: 32%) in euros.

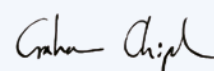
Derivative financial instruments comprise instruments relating to net borrowings (cross currency, interest rate swaps and forward foreign exchange contracts) and those related to other business transactions (forward commodity contracts and forward foreign exchange contracts). Total derivative financial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

	As at 31.12.14 £m	As at 31.12.13 £m
Cross currency swaps	31	105
Interest rate swaps	(6)	(8)
Forward foreign exchange contracts	5	1
Derivative financial instruments included in net borrowings	30	98
Other derivative financial instruments	(28)	(37)
Total derivative financial instruments	2	61

The decrease in the value of cross currency swaps can be mainly attributed to fair value losses resulting from an increase in the longer term forward interest rates, along with the weakening of the euro against sterling. The decrease in the value of other derivatives was due mainly to the increase in aluminium prices.

The Strategic Report 2014, from pages 2 to 46 has been reviewed and approved by the board of directors.

On behalf of the board



Graham Chipchase
Chief executive
12 March 2015

GOVERNANCE



In my statement on pages 2 and 3, I said that we need to be trustworthy and that expectations of companies such as ours are, with every good reason, very high. It is my duty, together with the board, to ensure that the principles on matters such as leadership, board effectiveness, financial accountability and risk management underpin everything we do and are rigorously applied. The proposed offer from Ball Corporation (see page 1) does not affect or alter the board's duties in any respect.

The board sets the tone for the Company by the way in which it conducts itself, its definition of success and its attitude to the assessment of appropriate risk and ethical matters. The board believes that good corporate governance is compliance with codes of practice together with a strong sense of value and desire to do what is right for employees, shareholders and all other stakeholders.

During the year, the board spent time reviewing the Company's longer term strategy and direction and completed the divestment of the Company's Healthcare business as discussed in the strategic report. The divestment of this business allows the Company to focus on being the best beverage can maker in the world, which the board is committed to achieve through its business model (see pages 16 and 17). On the approach by Ball, we established a defence committee reporting to the board. This was a new situation for Rexam, and I am pleased at how our solid governance principles and clear processes helped guide us through and manage the approach.

The board continued its programme of visiting its overseas businesses which enables the non executive directors to deepen their knowledge and understanding of the day to day functioning of the beverage can business. The board travelled to Spain, Europe's second largest beverage can market, to see our can making business, meet with local management and tour a customer's beverage filling facility.

We continued to actively engage with our shareholders to explain our business model and strategy, and the steps we are taking to deliver value to our shareholders and other stakeholders.

I am pleased to be able to report that we made good progress against the actions agreed following the 2013 board evaluation. Our 2014 board evaluation was facilitated by myself, the senior independent director and the company secretary. As a board, we have identified areas of development to ensure that we continue to operate in an open and transparent way and constructively challenge and support the executive team. The board evaluation process and outcomes are more fully described on pages 53 and 54.

Every year the board has a programme of key items to consider and also focuses on the strategic issues for the Company, some of which are shown on page 52. The board delegates certain responsibilities to its committees to assist it in carrying out its functions. During 2014 our remuneration committee reviewed the provisions of the updated UK Corporate Governance Code published in September 2014 and, as a result, has clarified the Company's policy on malus and clawback.

Our audit and risk committee considered the Group's significant financial and business matters during the year, including the completion of the sale of the Healthcare business and the subsequent return of cash and share capital consolidation in June 2014.

Our nomination committee led the process to recruit a new non executive director and Carl-Peter Forster joined the board in June 2014. Talent and succession continued to be a focus of 2014 with regard to the board and senior management and the nomination committee had the opportunity to meet more informally with senior management.

A key strength of our board lies in its diversity, across a range of measures, including skills, experience, gender and nationality. The action plan to enhance diversity within the senior management functions continues to be successfully developed, details of which can be found on page 29.

Integrity and trust continue to be more important than ever in today's business world and the board and I will continue to provide leadership to the business as a whole and build upon the high standards of good governance that have been implemented to date. Our responsibilities as a board will continue until such time as the proposed Ball transaction completes, when I and my fellow non executive directors will resign from office.

Stuart Chambers
Chairman

CORPORATE GOVERNANCE REPORT AND DIRECTORS' REPORT

This corporate governance report and other disclosures set out on pages 47 to 86 make up the directors' report.

UK CORPORATE GOVERNANCE CODE COMPLIANCE

This corporate governance report has been prepared in accordance with the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in September 2012 (the Code). The board has also considered, in advance of the commencement date for the Company, the principles and provisions of the updated Code published by the FRC in September 2014 (2014 Code) to ensure that processes and procedures are in place to apply the principles and provisions of the 2014 Code.

The Code and the 2014 Code can be viewed on the www.frc.org.uk website. This report, together with the remuneration report, describes how we have applied the main principles of the Code.

It is the board's view that throughout the year, 1 January 2014 to 31 December 2014, the Company has complied with the Code.

THE BOARD

Non executive director Ros Rivaz (59)

Appointed 12 June 2013.

Committees

Nomination, remuneration (chair).

Skills and business experience

Experience in technology, sustainability and IT systems, and expertise in driving efficiencies in manufacturing processes and procurement in global organisations. Previous appointments include chief officer for Smith & Nephew plc until 2014 and senior management positions in ExxonMobil, ICI, Tate & Lyle and Diageo.

Other directorships

Deputy Chair of the Council of the University of Southampton and a member of the Council since 2006.

Executive director Graham Chipchase (52) Chief executive

Appointed 1 January 2010 as chief executive.

Joined the board as finance director on 10 February 2003 and was Group director plastic packaging from 2005.

Skills and business experience

Comprehensive financial and operational knowledge, proven leadership skills and a detailed understanding of Rexam's businesses and markets. Previous appointments include finance director of GKN plc's aerospace services business and various positions within the European and US subsidiaries of BOC Group plc. Operational experience as Group director of Rexam's plastic packaging business.

Other directorships

Non executive director of AstraZeneca PLC.

Executive director David Robbie (51) Finance director

Appointed 3 October 2005.

Skills and business experience

Strong financial, accounting, strategic and corporate finance experience and skills. Previous appointments include chief financial officer of Royal P&O Nedlloyd NV and finance director of CMG plc. Previously a non executive director of the BBC.

Other directorships

Trustee of Aldeburgh Music and the St John's Smith Square Charitable Trust.

Non executive director Leo Oosterveer (55)

Appointed 1 September 2011.

Committees

Audit and risk, nomination.

Skills and business experience

Strong operational leader with global management experience and a track record in marketing, sales and strategy development gained both in Europe and Asia. Previous appointments include leadership of the global food service division of Unilever PLC until 2014 and chairman/chief executive of Unilever in Thailand and Indochina from 2002 to 2006.

Other directorships

Chairman of Mylaps BV.

Senior independent director

Johanna Waterous CBE (57)

Appointed 4 May 2012 as a non executive director and senior independent director.

Committees

Audit and risk, nomination, remuneration.

Skills and business experience

A leading expert in retail and customer relationship management with wide knowledge of the global retail world. Johanna was awarded a CBE in 2013 for her services to supporting business growth. A former director of McKinsey, the global management consulting firm.

Other directorships

Non executive director of RSA Insurance Group plc, Wm Morrison Supermarkets PLC, chairman of Sandpiper CI Limited, and a director of the RBG Kew Foundation.



Chairman

Stuart Chambers (58)

Appointed 1 February 2012 as a non executive director and chairman on 23 February 2012.

Committees

Nomination (chairman).

Skills and business experience

Extensive breadth of business experience, including experience of global business to business markets. Previous appointments include group chief executive of NSG Group, the Tokyo based global glass company, until 2009, and chief executive of Pilkington PLC until its acquisition by NSG Group in 2006. Also held senior positions at Mars Inc and a variety of European roles at Royal Dutch Shell plc.

Other directorships

Chairman of ARM Holdings plc from 1 March 2014 (non executive director and chairman designate from 27 January 2014). Non executive director of Tesco PLC.

Non executive director

John Langston (65)

Appointed 30 October 2008.

Committees

Audit and risk (chairman), nomination, remuneration.

Skills and business experience

A chartered accountant with international, commercial and corporate finance experience. Previous appointments include a director of TI Group plc prior to its acquisition by Smiths Group and operational roles on the board of Smiths Group plc, and as finance director from 2006 until his retirement in May 2010.

Other directorships

Non executive director of Inchcape plc.

Non executive director

Carl-Peter Forster (60)

Appointed 10 June 2014.

Committees

Nomination.

Skills and business experience

Considerable operational and manufacturing expertise and the knowledge and experience gained as a leader in global organisations. Carl-Peter is the former Chief Executive of Tata Motors, part of the global Tata Group, and previous to that he was Group VP and Regional President of GM Europe. He also spent 13 years in various senior management roles at BMW AG.

Other directorships

Non executive director of IMI plc. Chairman of London Taxi Company and a board member of Hong Kong listed Geely Automotive Group Holdings.

Company secretary

David Gibson (52)

Changes to the board

Jean-Pierre Rodier retired as a non executive director of the Company on 2 May 2014.

The appointment of Carl-Peter Forster as a non executive director is disclosed in this section.

There were no other changes to the board during 2014 and up until the date of this annual report.

Board experience

Manufacturing

100%

Consumer

48%

Finance

38%

Marketing

38%

Board diversity

International



Women on the board

25%

Board balance

Executive

25%

Non executive

75%

Board tenure

0-2 years

24%

2-4 years

38%

4-12 years

38%

Figures above as at the date of this report.



LEADERSHIP

HOW THE BOARD OPERATES

The board brings leadership to the Group. It does this through the development, monitoring and review of the Group's strategy, guided by the executive directors to whom the board delegates the operational management of the business. It ensures that risks are effectively managed through robust policies and procedures, supported by the right values and culture. The board's primary focus is the sustainable long term success of the Group to deliver value for shareholders, taking into account other stakeholders. The board does not routinely involve itself in day to day business decisions but there is a formal schedule of matters that require the board's specific approval, as well as those which can be delegated to committees of the board or senior management. The board retains responsibility for all such delegated matters.

The fundamental matters reserved to the board are:

- board appointments and removals
- the Group's strategy
- acquisition and disposal of businesses
- material financial decisions relating to equity, marketable securities, borrowing facilities, guarantees or indemnities and changes in accounting policies or practice
- all capital expenditure projects over £20m or any capital expenditure project which, regardless of the amount, does not meet the Group's financial criteria
- significant contract approvals
- changes to the Group's management and control structures
- matters relating to the Company's share listing
- the appointment and removal of principal advisors and external auditors.

The board considers all matters in an open and transparent environment whereby all directors have unrestricted access to information and management. The board works as a team but independence of thought and approach as well as constructive debate are encouraged. This collective vision of the Company's purpose, its values, culture and the behaviours the board promotes, form the foundation of strong corporate governance.

BOARD MEMBERSHIP AND MEETINGS 2014

	Attendance ¹
Stuart Chambers (chairman)	7/7
Graham Chipchase	7/7
Carl-Peter Forster ²	5/5
John Langston	7/7
Leo Oosterveer	7/7
Ros Rivaz	7/7
David Robbie ³	3/7
Jean-Pierre Rodier ⁴	2/2
Johanna Waterous	7/7
David Gibson (company secretary)	7/7

¹ Number of scheduled meetings attended/maximum number of meetings that the director could have attended.

² Appointed to the board on 10 June 2014.

³ David Robbie was unable to attend 4 board meetings during the year owing to personal family circumstances in February 2014 and a period of medical treatment between May and July 2014. He received copies of board papers for each meeting and was able to comment on the matters to be discussed in advance of the meetings. For the majority of the time he continued to work remotely.

⁴ Retired from the board on 2 May 2014.

DEFENCE COMMITTEE

The board established a defence committee in December 2014 to manage discussions with Ball Corporation relating to a possible combination of the two businesses. The defence committee comprised Stuart Chambers (committee chairman), Johanna Waterous (senior independent director), Graham Chipchase, David Robbie and David Gibson. The defence committee reported their discussions and actions to the board for full debate and consideration. The board has recommended to Rexam shareholders that the terms of the offer received from Ball Corporation for the entire issued and to be issued ordinary share capital of Rexam be accepted.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the chairman and chief executive are separate with each having clearly defined responsibilities. Nonetheless, they maintain a close working relationship to ensure the integrity of the board's decision making process and the successful delivery of the Group's strategy.

Stuart Chambers is the chairman of the Company. The chairman creates and manages a constructive dialogue between the executive and non executive directors. He works with the company secretary to ensure that appropriate matters are discussed during board meetings.

Graham Chipchase is the chief executive of the Company. He has responsibility for leading the executive directors and the senior executive team in the day to day management and ensures effective implementation of board decisions. The key responsibilities of both the chairman and the chief executive are more fully described on page 51.

The written job specifications for the roles of chairman and chief executive are approved by the nomination committee.

NON EXECUTIVE DIRECTORS

At the date of this annual report, Rexam has a non executive chairman and five other non executive directors, including a senior independent director, all of whom are considered to be independent. Their collective role is to understand the business and its markets, consider proposals on strategy and constructively challenge management. The non executive directors hold or have held senior positions in industry and commerce, and contribute a wide range of international experience and objective perspective to the board. Through the board committees, the non executive directors bring focus and independence on governance and succession planning, internal controls, risk management and remuneration policies.

Johanna Waterous is the senior independent director and, if required, will deputise for the chairman. She is available to talk to shareholders if they have any issues or concerns or if there are any unresolved matters that shareholders believe should be brought to her attention.

The chairman schedules meetings with the non executive directors in addition to the planned board and committee meetings to discuss, on a less formal basis, the Group's performance, governance, strategy and board succession plans. The executive directors are not in attendance at these meetings.

Non executive directors serve the Company under contracts for services which are generally for an initial three year term. On appointment, an undertaking is requested confirming that the non executive director has sufficient time to fulfil his or her role on the board and any new directorships are subject to approval and notification to the board.

GOVERNANCE FRAMEWORK

The Company operates through the board and its main board committees, namely the audit and risk, the nomination and the remuneration committees. The board evaluates the membership of its individual board committees on an annual basis and aims to ensure that each of the committees has a different non executive director as their chairman. The board committees are governed by terms of reference which detail the matters delegated to each committee and for which they have authority to make decisions. The terms of reference for the board committees can be found on the Rexam website.



LEADERSHIP CONTINUED

BOARD DISCUSSIONS 2014 TO ACHIEVE OUR STRATEGIC PRIORITIES

Strategy

- discussed the strategy for each business sector with a focus on emerging markets
- approved the disposal of the Healthcare business to support the strategic focus on beverage cans
- discussed and agreed to acquire a controlling interest in United Arab Can Manufacturing Limited, Saudi Arabia, and a joint venture acquisition of Envases Del Istmo SA (Panama)
- approved the capital expenditure for a new beverage can line in Chile and line conversions in Brazil, India and Turkey
- approved the capital expenditure for the conversion from steel to aluminium of the beverage can plants in Spain
- approved the build of a new beverage can plant in India to meet the growth demands in that region
- approved investment in extending the capacity of the Fusion® aluminium bottle production in the Czech Republic
- considered research, development and innovation in relation to the strategic agenda to create and maximise value.

Stakeholder engagement

- engaged with private shareholders at the AGM
- considered annual investor audit and feedback
- reviewed Rexam's sustainability arrangements and programmes (incorporating all aspects of corporate social responsibility)
- engaged with institutional shareholders and investor bodies
- received reports on meetings with customers and suppliers.

Risk and governance

- considered the reports on matters discussed at audit and risk committee meetings
- reviewed the legal compliance arrangements, Code of Conduct and anti bribery and corruption policies presented by the Group and business sectors
- discussed the Group risk management process, risk tracking and mitigation
- reviewed the Group and business procedures and controls.

Delivering our strategy

- Strengthen our customer relationships
- Invest to capture growth
- Pursue continuous improvement in operational excellence
- Shape our future
- Build a winning organisation.

Other business

- Considered and recommended Ball Corporation's offer for the entire issued and to be issued ordinary share capital of Rexam

Budget and performance

- approved the Group's budget for 2015 and the strategic plan to 2017
- discussed plans and approved the return of cash to shareholders following completion of the sale of the Healthcare business
- maintained oversight of the financial position of the Group and its performance against budget, forecast and market expectations
- approved the Group's full year and half year results and dividend policy
- reviewed the performance of business segments
- reviewed the Group's long term debt refinancing proposals.

External environment

- received and discussed presentation on aluminium premium and market influences
- considered reports on the benchmarking of aluminium for supply and costs
- discussed and assessed the key issues affecting the business and industry trends
- received reports following presentations to the audit and risk committee resulting from participation in the UK government's cyber security healthcheck
- discussed the developing macroeconomic environment in regions of operation.

People, culture and values

- held board meeting with the Beverage Can Europe leadership team and visited the plant in La Selva, Spain
- reviewed key management hires as part of organisation restructuring
- reviewed health and safety arrangements to ensure the safety of our employees and customers
- approved the appointment of a new independent non executive director
- considered reports on matters discussed at nomination committee and remuneration committee meetings
- focused on the effectiveness of the board during 2014 following feedback from the board evaluation process.

EFFECTIVENESS



Our board members bring important skills and experience to our organisation and this complements the skills of our executive team.

My ambitions for the composition of the board are to broaden the range of expertise, experience and diversity and ensure that effective succession plans are in place. Throughout 2014 the members of the board have continued to challenge each other to ensure the quality of our decisions.

Stuart Chambers
Nomination committee chairman

HOW IS THE BOARD EFFECTIVE?

The board acts in the best interests of the Company, making well informed and high quality decisions within a framework of prudent risk management. Matters are discussed cohesively by the board as a whole, with challenge and debate encouraged, and no one individual has unrestricted power of decision making.

The composition of the board and its committees facilitates the effective discharge of its duties and responsibilities. Rexam has a board of directors with international business backgrounds and a range of diverse skills, experience and nationalities. Their diversity and knowledge are invaluable in challenging and developing the Group's strategy and enable the board to govern the global business effectively.

Throughout 2014 and up to the date of this annual report the Company had a majority of independent non executive directors on the board.

The board is aware of the other commitments of the directors and considers that these commitments do not conflict with their duties as directors of the Company. Stuart Chambers' appointment in 2014 as chairman of ARM Holdings plc was reported to the board. He confirmed to the board that no conflict arose from that role and that the appointment will have no adverse impact on his time commitment to Rexam, a view with which the board agreed. A biography of each member of the board, including details of their business experience and other directorships, is given on pages 48 and 49.

BOARD PERFORMANCE EVALUATION

The directors recognise that the evaluation process is an important annual opportunity to review the practices and performance of the board, its committees and its individual directors, and implement actions to improve the board's focus, effectiveness and ability to contribute to the Company's success. In 2014, the chairman and company secretary agreed the scope of the review and the chairman met with each director to discuss their views on the effectiveness of the board and obtain open and constructive feedback.

The senior independent director is responsible for the annual performance appraisal of the Chairman and presents the feedback from this process and her recommendations to the nomination committee.

OUR BOARD EVALUATION PROCESS



The evaluation explored specific aspects of board and board committee effectiveness: the environment (culture, dynamics and composition), the focus (strategy and operations, key stakeholders, risk and control) and people engagement (leadership development and succession planning). A number of challenges and opportunities were identified and the board agreed to focus on the following areas to improve the board's effectiveness in 2015:

Challenges	2015 actions following 2014 evaluation
Competitors, customers and suppliers	To further increase board knowledge of underlying commercial trends and dynamics that are shaping the future consumer packaging and beverage packaging industries to promote understanding and aid decision making.
Talent pipeline and succession planning	To continue to align and develop the connection between strategic objectives and executive succession planning; and promote interaction and debate between the board and senior management to add value in discussions relating to management succession planning.
Board and committee professional development	To increase the opportunities for professional development to equip the board with specialist knowledge to contribute to and challenge issue based debates and outcomes.

EFFECTIVENESS CONTINUED

The board made progress during 2014 against the areas for development identified in the 2013 externally facilitated evaluation. In particular:

Areas for development	2014 progress following 2013 evaluation
Strategic objectives	The focus and increased time allocation has given greater clarity to the strategic process and developed directors' knowledge of the business to aid the board in formulating longer term strategic objectives.
Talent management and succession planning	Greater opportunity has been provided in 2014 for interaction and debate between the board and senior management. This process has highlighted key areas for further focus in 2015.
Board and committee development	Further progress towards this objective has strengthened the open and transparent culture of the board, and the effectiveness of the board as its members work as a team.
Customers and suppliers	The board's knowledge of the Group's customers and suppliers has developed through board presentations, the global tender process and site visits. Further progress in relation to competitors and a more in depth knowledge of the beverage can market have been highlighted for future focus.

The board committees each discussed their own effectiveness evaluations and identified areas for focus to improve their effectiveness in 2015. A full performance evaluation of the board and its committees will continue to be conducted annually.

DEVELOPMENT, INFORMATION AND SUPPORT

Formal board meetings are held during the year and the chairman and the company secretary ensure that, prior to each meeting, the directors receive accurate, clear and timely information which helps them to discharge their duties. In the months with no scheduled board meeting, the directors receive the prior month and cumulative financial, operating and risk information relating to the Group and its businesses. The directors receive their board papers through a secure electronic portal and are able to reference and mark the electronic papers in the board meeting.

All newly appointed directors participate in an internal induction programme that introduces the director to the Group and includes visiting Group businesses. This programme is tailored to each director's needs, taking into account individual qualifications and experience. If required, an overview of the role and responsibilities of a director can be facilitated by an external consultant. The company secretary gives guidance on board procedures and corporate governance.

Carl-Peter Forster joined the board as a non executive director in June 2014. Carl-Peter had one to one meetings with functional and operational management for an overview of the corporate and business aspects of the Group. He visited the beverage can operations in Milton Keynes, UK, and, together with the other board members, visited the beverage can operations in La Selva, Spain and a customer's beverage filling facility. He also met with the Group's external auditors, legal advisors, the Company's brokers and capital markets advisors. Governance and board related matters were discussed with the company secretary.

The chairman is responsible for, and reviews and agrees with each director their training and development needs. Members of the committees receive specific updates on matters that are relevant to their role. The chairman arranges for the board to visit at least one of the Group's business locations each year to ensure that the directors' knowledge of, and familiarity with, the businesses are updated and maintained.

During 2014, the board visited the beverage can plant in La Selva, Spain where directors met with local management and toured the manufacturing facilities. They also toured a customer's beverage filling facility in Spain.

Members of the senior management team with responsibility for the Group's businesses and those with corporate and service centre functional responsibilities make periodic presentations at board meetings about their businesses, functions, performance, suppliers, customers, competitors, markets and strategy.

The company secretary, who is appointed by the board, is responsible for ensuring compliance with board procedures. This includes taking minutes of the board meetings and recording any concerns relating to the running of the Company or proposed actions arising therefrom that are expressed by a director in a board meeting. The company secretary is also secretary to the audit and risk, nomination and remuneration committees.

Under the direction of the chairman, the company secretary is responsible for the communication of relevant information between the board, its committees and the senior management team. He also advises the board, through the chairman, on all governance and regulatory compliance matters.

Should a director reasonably request independent professional advice to carry out their duties, such advice is made available at the Company's expense.

NOMINATION COMMITTEE MEMBERSHIP AND MEETINGS 2014

The board has approved the terms of reference delegating certain responsibilities to the nomination committee. The terms of reference are reviewed annually and are available on the Company's website.

The nomination committee is chaired by the chairman of the board. The other members of the committee during 2014 were all independent non executive directors.

Committee membership	Attendance ¹
Stuart Chambers (committee chairman)	4/4
John Langston	4/4
Carl-Peter Forster ²	2/2
Leo Oosterveer	4/4
Ros Rivaz	4/4
Jean-Pierre Rodier ³	2/2
Johanna Waterous	4/4

1 Number of scheduled meetings attended/maximum number of meetings that the director could have attended.

2 Appointed to the committee on 30 July 2014.

3 Retired from the committee on 2 May 2014.

THE ROLE OF THE NOMINATION COMMITTEE

The appointment and replacement of directors is governed by the Company's articles of association, which may only be amended with shareholders' approval in accordance with relevant legislation. Recommendations for appointments to the board are the responsibility of the nomination committee which acts in accordance with its terms of reference and the articles of association.

All board appointments are conducted through a formal, rigorous and transparent procedure involving the nomination committee and the board. The performance and effectiveness of the nomination committee are reviewed as part of the main performance evaluation of the board and all its committees.

The main responsibilities of the nomination committee are to:

- review the structure, size and composition of the board (including its skills, knowledge, experience and diversity, including gender diversity);
- give full consideration to succession planning and ensure that processes and planning are in place with regard to both the board and senior executive appointments;
- identify and consider candidates on merit against objective criteria and make recommendations to the board on appointments to the board and board committees, and on the appointment of the company secretary;
- assess the time needed to fulfil the roles of chairman, senior independent director and non executive director;
- keep up to date on strategic issues and commercial changes affecting the Company and its markets; and
- assist the chairman with the annual board performance evaluation process to assess the overall performance and effectiveness of the board and each board committee, and the individual performance of directors.

NOMINATION COMMITTEE AREAS OF FOCUS 2014

During 2014, the nomination committee carried out its duties by focusing on its key activities and ensuring the long term effectiveness of the board.

Reviewed the board and committee composition following Jean-Pierre Rodier's retirement from the board in 2014.
Discussed the range of skills on the board and its diversity and how to ensure an adequate balance of skills and experience for effective medium and long term decision making.
Conducted an appointment process leading to the recommendation of Carl-Peter Forster as non executive director.
Reviewed succession planning and development for executive directors and non executive directors.
Oversight of the board performance evaluation.

BOARD APPOINTMENTS AND DIVERSITY

The board appreciates the benefits of greater board diversity, including gender diversity. It recognises that a diverse and inclusive culture, and policies that promote diversity are key to creating a breadth of perspective among directors and effective balance in the boardroom.

The nomination committee has a policy of working alongside recruitment consultants who adhere to a voluntary code of conduct to ensure that when seeking new candidates for the board, at least 30% of the candidates on their initial list of candidates are women (the Voluntary Code of Conduct) and are independent in that they have no other connection with the Company. For executive director appointments the recruitment consultants evaluate and consider prospective external candidates and review internal candidates. In all cases the nomination committee then meets with and considers prospective appointees and, if appropriate, recommendations are made to the board for approval.

The Group's gender balance at board level is currently six males, 75% and two females, 25% (2013: 75% male and 25% female). It is the board's intention to maintain that at least 25% of the board are women. Diversity is one of the important factors in the specification given by the nomination committee to recruitment consultants when appointing new directors. The nomination committee ensures that, with the assistance of recruitment consultants who adhere to the Voluntary Code of Conduct, female candidates are considered routinely as part of the recruitment process to bring the most effective balance within the boardroom. The overriding objective is that board appointments will continue to be on merit and that the most appropriate candidates are identified and appointed.

In 2015, the nomination committee will continue to assess the board's composition and how it can be enhanced and will consider diversity as part of this process to ensure it continues to draw candidates from the widest possible range of talent. Further details on diversity throughout the Group can be found on page 29.

During the year the nomination committee asked Odgers Berndtson to commence a search for a new non executive director to join the board. Odgers Berndtson is an independent executive search firm which has no other connection with the Company. Carl-Peter Forster was interviewed by the nomination committee as part of the external search process and was recommended to the board for appointment on the basis that he brought considerable operational and manufacturing expertise and experience as a leader in global organisations to the board, and had confirmed that he had sufficient time to discharge the role.

EFFECTIVENESS CONTINUED

SUCCESSION PLANNING

The nomination committee develops succession plans for the board, mindful of the need for progressive refreshment of the board, and a balance of skills, experience and diversity.

The Committee prepared a briefing for recruitment consultants to commence a search for a new non executive director to replace Jean-Pierre Rodier on his retirement from the board.

The board's responsibility for succession planning means that it is actively involved in the Group's talent processes to identify internal candidates for promotion and develop senior managers to give them every opportunity to progress their careers. The nomination committee identifies through the management review process any internal people whose skills, experience and contribution to the Group would add value to the board. The board periodically discusses current senior management positions within the organisational structure and, led by the chief executive, considers potential successors to meet the Group's leadership needs over time.

ELECTION AND RE-ELECTION OF DIRECTORS

To promote good governance and in accordance with the Code, the board has recommended that all directors should submit themselves for election or re-election on an annual basis.

All directors in office as at the date of this report are to be proposed for election or re-election at the AGM 2015

Stuart Chambers	Chairman
Graham Chipchase	Chief executive
David Robbie	Finance director
Carl-Peter Forster	Non executive director
John Langston	Non executive director
Leo Oosterveer	Non executive director
Ros Rivaz	Non executive director
Johanna Waterous	Senior independent director

Following a rigorous evaluation of the performance of each director and on the recommendation of the nomination committee, the board is recommending that Carl-Peter Forster, who was appointed as a non executive director since the date of the last AGM, stand for election and that the other directors named above stand for re-election at the AGM 2015.

Carl-Peter Forster is considered by the board to be independent. He is being recommended for election as the board believes that he has considerable operational and manufacturing expertise and the knowledge and experience gained as a leader in global organisations which is of value to Rexam.

Graham Chipchase is being recommended for re-election as the board believes his leadership and insight into the Group and its markets will continue to help Rexam develop as a global beverage can maker and create shareholder value.

David Robbie is being recommended for re-election as the board believes his strong financial and corporate finance experience and his financial and strategic skills are important to the board and to the maintenance of tight financial controls.

John Langston, Leo Oosterveer, Ros Rivaz and Johanna Waterous are being recommended for re-election as, in the board's view, they remain independent and, following their formal performance evaluation, the chairman of the board has confirmed that they continue to be effective and demonstrate their commitment to the board. John Langston has served on the board as a non executive director since 2008 and therefore, in accordance with the Code, his performance was subject to particularly rigorous review.

On the recommendation of the nomination committee, Stuart Chambers, who was considered independent on appointment as chairman of the Company, is being recommended for re-election, as the board believes he continues to be effective and demonstrates commitment to the role.

A biography of each member of the board can be found on pages 48 and 49.

ACCOUNTABILITY



Throughout 2014 the audit and risk committee carried out its duties by focusing on the key activities associated with, and complementary to, its core internal financial control responsibilities.

- Year end results 2013 reviewed with external auditors and recommended for approval to the board; internal audit update Q4 2013 presented; internal audit plan for 2014 approved; review of whistle blowing calls.
- External audit plan for 2014 year end approved; early warnings report presented by external auditors for half year 2014; review and assessment of internal and external audit effectiveness; internal audit update Q1 2014 presented; update on Group risks and risk register reviewed and approved; risk presentation by the Beverage Can South America management team.
- Half year results 2014 reviewed with external auditors and recommended for approval by the board; internal audit update Q2 2014.
- Early warnings report presented by external auditors for year end 2014; detailed review of Group risks including presentation by the Beverage Can North America management team; presentation by chief information officer of the information technology risks with emphasis on cyber risks; internal audit update Q3 2014; presentation by PwC on the new format of external audit report; reviewed and approved terms of reference for the committee.

The committee recognises its role in supporting the board by ensuring that appropriate internal controls and risk management processes are in place to maintain good corporate governance for the Company.

The board recognises its responsibility for ensuring the implementation and maintenance of effective systems of risk management and internal control, and presenting a fair, balanced and understandable assessment of the Group's position and prospects. The systems and controls in place include policies and procedures which provide assurance that transactions are recorded as necessary to facilitate the financial reporting process and the preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Representatives of the businesses complete biannual representation letters formally confirming that their businesses comply with the Group's financial reporting policies and other Group policies and procedures. To discharge its responsibilities the board works closely with the audit and risk committee.

After taking account of the detailed work of the audit and risk committee, the board confirms that it carried out a review of the effectiveness of the system of risk management and internal control which operated within the Group during 2014 and up to the date of this annual report in accordance with the requirements of the revised Guidance on Internal Control published by the FRC (formerly known as the Turnbull Guidance). This review covered the effectiveness of internal controls, namely financial, operational, compliance and risk management.

No significant failings or weaknesses were identified in the review for 2014. The board is satisfied that, where areas for improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored. The board will continue to carry out such reviews on an annual basis and will monitor the risk management and internal control systems as recommended by the 2014 Code. Details of the specific actions taken during 2014 to review the control environment and continue to improve controls are set out under risk management and internal control on pages 59 and 60.

John Langston
Audit and risk committee chairman

ACCOUNTABILITY CONTINUED

AUDIT AND RISK COMMITTEE MEMBERSHIP AND MEETINGS 2014

The audit and risk committee members comprise independent non executive directors. John Langston is the chairman of the audit and risk committee. As a qualified chartered accountant and former finance director he is considered to have recent and relevant financial experience and is well placed to lead the audit and risk committee to enable it to carry out its responsibilities.

Committee membership	Attendance ¹
John Langston (committee chairman)	4/4
Leo Oosterveer ²	3/3
Jean-Pierre Rodier ³	1/1
Johanna Waterous	4/4

1 Number of scheduled meetings attended/maximum number of meetings that the director could have attended.

2 Appointed to the committee on 2 May 2014.

3 Retired from the committee on 2 May 2014.

THE ROLE OF THE AUDIT AND RISK COMMITTEE

The board has approved the terms of reference delegating certain responsibilities to the committee. The terms of reference are reviewed annually and are available on the Company's website. The main responsibilities of the audit and risk committee are to:

- oversee and review the financial and operational risks, policies and management;
- assist the board in meeting its responsibilities by ensuring an effective system of internal control and compliance and accurate external financial reporting;
- assist the board in managing the relationship with the Company's external auditors, to review and monitor their independence, and in particular the provision of any non audit services provided by them to the Group;
- keep under review the effectiveness of the process for the identification, assessment, mitigation, reporting and monitoring of risks facing the business;
- approve the appointment of the director internal audit and review and approve the annual programme of internal audit assignments; and
- ensure the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance.

The audit and risk committee meets four times a year. At the request of the audit and risk committee chairman, the chairman of the board, the chief executive, the finance director, the director of Group finance, the director internal audit and the external auditors are invited to attend each meeting.

Should it be requested, the audit and risk committee has access to independent expert advice at the Company's expense. The performance and effectiveness of the audit and risk committee are reviewed as part of the performance evaluation of the board and all its committees.

AUDIT AND RISK COMMITTEE AREAS OF FOCUS 2014

Reviewing the financial results of the Group for the half and full year.
Reviewing the progress of, and confirming, the accounting process for the sale of the Healthcare business and the return of cash to shareholders.
Reviews of effectiveness of both external and internal audit.
Conducting a detailed review of risks for the business including presentations by the management teams of the Beverage Can North America and Beverage Can South America sectors.
Reviewing updates from the director internal audit on the controls within the businesses, focus on IT risks and controls, and reviewing reports of whistle blowing calls.
Audit and risk committee chairman met the internal audit team at its September 2014 meeting.

FINANCIAL AND BUSINESS REPORTING

The audit and risk committee shares responsibility with the board for reviewing in detail the annual report and half year results announcements, which provide a clear assessment of the performance and prospects of the Group through the business model, strategy, and a review of strategic risks and financial and non financial performance. The annual report is reviewed at draft stage by sector and functional management to ensure it is fair, balanced and understandable. Also included in the annual report is the external auditors' report to the members providing an independent opinion on the truth and fairness of the Group's financial statements. The half year results announcement includes the external auditors' review report to the Company.

Other financial information that is to be published is reviewed by the audit and risk committee for statutory and regulatory compliance and is submitted to the board with a recommendation for approval.

Significant issues considered by the committee

The committee has regular discussions with both management and the external auditors on significant matters. The following key risks, judgements and accounting issues were considered by the committee during 2014, as part of the reporting and review process.

Metal premium costs

The committee reviewed with management the continuing increase in metal premium costs and discussed the implications of this on the Group's performance.

Tax

The committee considered key tax issues facing the Group, in particular those where judgement was required to determine their treatment in the financial statements, such as the recoverability of deferred tax assets and the appropriate levels of provisions where there are uncertainties or interpretation of local laws and regulations. The external auditors provided an external perspective confirming the judgements adopted by management.

Conversion of Spanish plants from steel to aluminium

The committee discussed with management the contract with a major aluminium supplier to support the conversion of the Spanish plants from steel to aluminium, and reviewed the accounting treatment relating to such contracts with the external auditors.

Cyber risks

The board had requested an audit of the Company's information assets and the committee reviewed the results of this audit together with a presentation on particular IT risks such as those relating to cyber security.

Global and significant contracts

The committee reviewed progress with management relating to the global bid process requested by a number of key customers and the impact these new contracts would have on the business. It also considered the accounting treatment of new significant contracts with regards up front payments and rebates.

Whistle blowing provider

The committee approved the change of whistle blowing provider, following a review of the existing provider, to ensure that the whistle blowing process continued to enable employees' concerns to be raised effectively and to better understand the reasons as to why concerns are raised.

Healthcare business disposal and payment of cash to shareholders

The committee reviewed, with guidance from external advisors, the accounting treatment relating to the return of cash to shareholders following the successful disposal of the Healthcare business.

Goodwill impairment

The committee reviewed the carrying value of goodwill and other assets compared with the value in use for each business in the Group to ensure sufficient headroom, including appropriate sensitivities.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has well established risk management and internal control systems. While all elements of risk cannot be eliminated, the processes and systems aim to identify, assess, prioritise and, where possible, mitigate the Group's risks. Although no system can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

The enterprise risk management (ERM) function is led by the director of Group finance together with the chief executive, finance director, the director internal audit and other senior management representatives, and has brought an increased focus and emphasis on global risk management, providing leadership and co-ordination across the Group's business and operational risk activities. Operational risk which includes health and safety, environment, fire and property protection, security, business continuity and crisis management is the responsibility of senior functional management.

There is an ongoing process for identifying, assessing, mitigating, reporting and monitoring the risks faced by the Group captured within a formal ERM framework. Meetings are held with businesses and functional managers who present their risk registers, enabling discussion of the risks identified, the management of those risks and the mitigation measures as well as the effectiveness of the systems of internal control. The process ensures that risks are not just the product of a bottom up approach but are also examined from a top down perspective and closely aligned with the Group's strategy.

The enterprise risk management function chairs the risk leadership team with representatives from internal audit and senior management from each of the sectors. The team meets regularly to focus on key Group risk themes and to refine the enterprise risk management framework.

During 2014, a number of refinements were made including:

- assessment of the risk and mitigation actions put in place to address and respond to the competitive environment, exposure to commodity prices, metal premiums and other costs, and the trend towards global procurement contracts by our customers;
- continued development of the ERM framework and risk based auditing system, and improvements to the risk management system to improve efficiency in reporting and analysis of information across the businesses;
- a new risk team established for the AMEA sector and independent review of the sector's risk profile;
- risk maturity survey; fraud and bribery workshops and business continuity management workshops; and
- review of the common risk themes across the businesses and Group functions with the aim of achieving consistency in risk and mitigating actions.

The results of the ERM framework are reported to the audit and risk committee and provide an opportunity for the audit and risk committee to discuss and analyse the risks reported. In addition to reviewing the risks, as presented by management, the audit and risk committee also receives presentations from the Group's businesses or functional managers to assess at first hand the effectiveness of the process, to consider whether the risks identified are being managed successfully and to challenge management on the mitigation measures in place. The audit and risk committee reports its conclusions to the board for review. Details of the key risks to which the Group is exposed and additional information on risk processes and management are included in the strategic report and can be found on pages 32 to 39.

The framework which the board has established to provide effective internal control for both the Group and its associates and joint ventures is supported by the key areas set out in the table below.

THE INTERNAL CONTROL FRAMEWORK

	Responsibility	Activity in 2014
Financial reporting	The Group has a comprehensive system for reporting financial results to the board. An annual budget and strategic review are prepared for each business and are consolidated for review by the board before being formally adopted. During the year, monthly management accounts, including cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised in light of this comparison and are also reviewed by the board.	Regular reviews took place to ensure businesses were performing in line with budget and strategy. The chief executive and the finance director met regularly with operational management to ensure businesses were performing as expected and reporting in accordance with the Group's standards. Following those meetings the chief executive and the finance director reported back to the board.
Delegated authority	There are clearly defined lines of responsibility and levels of authority in operation throughout the Group, with specific matters reserved to the board. Businesses are decentralised with operating autonomy and financial responsibility delegated to corporate and local management to the extent that they have approval to operate within defined levels of authority and risk.	Following the divestment of the Healthcare business the Group authority levels and related financial limits, which include information on those matters that are specifically reserved for the board's consideration, were reviewed and updated.

ACCOUNTABILITY

CONTINUED

THE INTERNAL CONTROL FRAMEWORK CONTINUED

	Responsibility	Activity in 2014
Procedures and controls	There are formal written Group financial procedures and controls in operation, including specific procedures for treasury matters, capital investment and the approval of significant contracts. Corporate and local management are required to complete biannual representation letters formally confirming that their businesses comply with the Group's financial reporting policies and other Group policies and procedures.	<p>Improvements were made to access and security controls along with a detailed review of the consistency of the Group's computerised management systems and controls operating around the Group.</p> <p>The Group control framework has been fully implemented to ensure that controls are operated consistently and in line with best practice.</p> <p>Online legal compliance training system developed to ensure employees' familiarity and compliance with the Group's Code of Conduct also includes specific training on Financial Integrity, Combating Bribery in Business and Competition and Anti Trust Law, and was completed by all appropriate employees during the year.</p>
Internal audit	The internal audit function monitors financial and other risks faced throughout the Group and the control systems in operation to manage those risks. All significant internal audit findings are reported to the audit and risk committee.	<p>The annual internal audit plan, produced from an assessment of the risks following the enterprise risk management process, was approved by the audit and risk committee.</p> <p>Meetings were held regularly between internal audit management, the finance director and the director of Group finance, together with business management, to review progress on implementing audit recommendations and to ensure any significant issues identified were addressed. Updates on performance were provided to the audit and risk committee by the director internal audit, including details of progress against the audit plan, audit report opinions given and progress in implementing audit recommendations.</p> <p>As well as reporting on Group controls and risks the internal audit function also reports on its own performance using key performance indicators (KPIs) measuring such areas as completeness of the audit plan, timeliness of internal audit reports, coverage of businesses, key projects supported and development of internal audit staff.</p> <p>The internal audit function further enhanced its approach to the audit of business risks by focusing on a number of the key Group risks identified from the enterprise risk management framework and carried out a detailed review of the risk mitigations management had put in place to address these risks. Areas reviewed included commercial sales in Beverage Can South America, production and treasury risks in Russia as well as the Group treasury and information management functions of Rexam PLC.</p>
Operational risk management	Operational risk management, part of the enterprise risk function, provides the leadership to develop and monitor processes which identify, assess and manage risks associated with health and safety, environment, business continuity and crisis management, fire and loss prevention, security and asset protection. Purpose built audit programmes allow for businesses to be evaluated against Rexam's and external best practice standards in these areas, and provide the basis for continuous improvement action plans. In addition, many Rexam businesses are accredited to external internationally recognised standards. The function also manages Rexam's global insurance programme. Periodic updates, including any significant findings and issues, are reported to the audit and risk committee.	In line with the Rexam values, a system of awards was introduced to recognise businesses receiving high scores based on the audits. An enhanced global environment, health and safety (EHS) audit approach was developed to provide the basis of challenge for a more sustainable and robust improvement of EHS management systems and performance at all sites. In addition, we continued with a high standard fire safety and property protection audit supported and performed by AXA Matrix. Further details can be found in the principal risks section of this annual report on page 37.

INTERNAL AUDIT

The internal audit function plans and undertakes audits to ensure that the controls operating in the businesses conform with Group controls and procedures, and reviews the effectiveness of the risk management process.

The director internal audit provides quarterly updates to the audit and risk committee and reports on all significant audit findings. He has separate meetings with the chairman of the audit and risk committee without any other member of management being present. A one on one meeting was also held by the director internal audit with Leo Oosterveer, who joined the committee during the year, to familiarise him with the role, remit and responsibilities of the internal audit function. A similar meeting was also held between Mr Oosterveer and the external auditors.

In 2014, the audit and risk committee reviewed and approved the annual internal audit plan including the proposed audit approach, coverage and allocation of resources. It also reviewed the results of the audits undertaken, with particular emphasis on the recommendations made and management's response to the matters raised. The quarterly update provided to the committee also includes the internal audit function's own KPIs reporting on audit plan performance, coverage of operations, days to issue reports and transfer of auditors into the business.

Following the favourable external review of the internal audit's effectiveness in 2013, the director internal audit reported to the committee on further improvements in the team's processes, including an upgrade of its TeamMate software to ensure better audit methodology and reporting of results. An internally commissioned survey with Group, sector and business management was undertaken at the end of 2014 and the results were reported to the committee in early 2015.

EXTERNAL AUDITORS

The audit and risk committee has primary responsibility for, and advises the board on, the appointment, reappointment and the remuneration of the Company's external auditors. Any recommendation for the reappointment of the external auditors is subject to their continued satisfactory performance. Following an audit tender in 2003, PricewaterhouseCoopers LLP (PwC) were appointed as the Company's external auditors, with the lead audit partner changing by rotation in 2008 and in 2013. The board continues to monitor the proposals from the EU and the rules of the Competition and Markets Authority relating to audit tendering and rotation, and the audit and risk committee has indicated that it plans to consider, in 2016, a review of the current external audit service provider in conjunction with the subsequent formal rotation of the lead audit partner in 2017. The review may include a tender of the external audit, which could result in the change in the audit firm being effective for the audit of the 2017 financial results. In 2014, a review of all fees paid for services delivered to the Group by the main audit firms was undertaken by the director internal audit.

The external auditors attend all audit and risk committee meetings and annual enterprise risk review meetings with each of the business sectors. The audit and risk committee chairman also has separate meetings with the external auditors to discuss relevant matters. The external auditors work with Group and sector management and discuss their findings and recommendations with the audit and risk committee.

During 2014, the audit and risk committee reviewed the effectiveness and independence of the external auditors and recommended to the board that a resolution to reappoint PwC be proposed at the AGM 2015. The effectiveness review in 2014 was conducted by the director internal audit surveying both sector and business management following the change in lead audit partner at the beginning of 2013. A report was presented to the committee which was compared with PwC's own customer satisfaction survey, focusing on a number of areas including audit scope, delivery and audit team. A further review of PwC's effectiveness will be undertaken in 2015 following completion of the 2014 audit. The audit and risk committee will continue to keep under review the independence and objectivity of the external auditors.

Non audit services are provided by PwC to the Group only in accordance with Rexam's policy on the provision of such services, which assesses the type of service to be provided and the associated fees. Any request for non audit services above a fee threshold of £25,000 is presented to the finance director for approval prior to commencement of the work. The finance director will also obtain the prior authorisation of the chairman of the audit and risk committee for services deemed "restricted" above a threshold of £50,000 and above £150,000 for services deemed "unrestricted". PwC are prohibited from providing services to the Group that would be considered to jeopardise their independence, such as financial systems design and implementation, actuarial services, internal audit outsourcing and investment services. The policy on non audit services was reviewed during 2014 to ensure it continues to be in line with best practice.

The audit and risk committee biannually reviews the level of non audit fees to ensure that the provision of non audit services does not impair PwC's independence or objectivity. Non audit fees in 2014 relate mainly to assurance reporting on historic financial information required for business disposals and global tax advisory services. The fees for non audit services are disclosed in note 5 to the consolidated financial statements. Other audit firms were engaged to provide expatriate and specialist tax advisory services as well as to advise on business disposals.

DIRECTORS' CONFLICTS OF INTEREST

The board has a formal system in place for directors to review regularly their interests and to deal with situations where a director reports any conflicts of interest. Any conflict situation reported to the chairman and the company secretary is considered by the board based on its particular facts. Any authorisations given to a director who has a conflict situation are recorded in the board minutes and in a register of directors' conflicts which is reviewed annually by the board. No conflict situations were reported to the board during 2014 and up to the date of this annual report.

TAX MANAGEMENT

Our businesses pay a number of different taxes to local and national governments. These include corporate taxes on profits, employment taxes, property taxes, customs duties and withholding taxes. In addition our businesses administer on behalf of taxing authorities the collection of sales taxes charged to our customers and taxes paid by our employees. We take our responsibilities seriously and the management of our tax affairs is aligned with the Group's wider business practices and our commitment to corporate responsibility. In particular the Group seeks to adopt the following principles in its management of its tax position: compliance with and reasonable interpretation of tax laws; paying the right amount of tax at the right time; a constructive relationship with tax authorities; alignment of planning with our commercial operations and the needs of our businesses; and delivering shareholder value while protecting the Group's reputation.

CODE OF CONDUCT

A Code of Conduct, which applies to all Company employees worldwide, has been approved by the board and provides a clear statement for the benefit of stakeholders involved with, or impacted by, Rexam's activities. It is communicated through an induction process for new employees, as part of the team briefings in the Group's businesses and on the Group's intranet and website. The board is kept informed regarding the maintenance of the Code of Conduct and any breaches of it. The content of the Code of Conduct captures the key compliance messages that are relevant for all employees, whether working in the manufacturing plants or in office based locations.

During 2014, a review of the Code of Conduct was initiated to reflect the changing demographics of Rexam's business and to support Rexam's vision to be the best beverage can maker in the world. An online training system is operated to ensure employees are aware of their responsibilities and are in compliance with the Code of Conduct. Further details can be found on page 29.

ACCOUNTABILITY CONTINUED

The Group's policies and procedures relating to bribery and corruption were kept under review by the executive leadership team and the audit and risk committee during 2014. There were no material breaches of the Code of Conduct during 2014.

During 2014, we took steps to increase the scope and impact of our online compliance training programme. The training is now tightly linked to our onboarding process to reinforce the messages contained in the Code of Conduct. An annual certification process was introduced in 2014 so that all appropriate employees will be reminded of the requirements of the Code and their obligations.

The Company has not been required to pay any disclosable fines during the year in respect of antitrust matters.

WHISTLE BLOWING POLICY

Rexam has an open door policy whereby employees are encouraged to share concerns, raise issues and provide ideas for improvement with all levels of management in the business. It is recognised, however, that there will be times when an employee might be uncomfortable raising concerns directly with local management and, in such cases, communication with business and Group management is encouraged.

The Company operates a whistle blowing policy which is supported by an external confidential telephone helpline, available to all employees to raise any concerns, including those of a financial nature. The helpline, which has been operated by the same provider since it was introduced in 2006, was reviewed by a steering committee in 2014 via a tendering process with a number of the leading providers of global whistle blowing services to ensure that it was still relevant and providing the appropriate service to Rexam. A decision was made to change to another provider which has a significant number of other FTSE clients.

The change to a new Raise Your Concern (RYC) helpline provider provided an opportunity to refresh the service by circulating new promotional literature both online, and through the use of posters and wallet sized cards that were placed in break out and refreshment areas. We were able to engage with employees to better understand the reasons that calls are made via the helpline rather than through the internal communication lines, especially as a number of the calls received relate to human resource/grievance related issues.

The RYC policy is explained to employees when they commence employment with the Group and in team meetings to ensure the policy is understood by, and available to, all employees. Employees are encouraged to use the service only when other internal reporting lines have not adequately dealt with their concerns, or if the matter is too serious or confidential to discuss with local or sector management.

During 2014, 41 calls were received by the helpline provider (2013: 45 calls, 7 of which were from the Healthcare business). There have been on average 42 calls per year since the policy was introduced in 2006. The majority of calls continue to relate to human resources issues and practices. All reports of calls are taken by internal audit or the company secretary's office and an initial feedback response is available to the caller within five working days.

All calls are investigated by the director internal audit, in conjunction with the company secretary or deputy company secretary, and, if appropriate, by management of the respective business. Any significant concerns are reported directly to the chairman of the audit and risk committee as well as to Group management.

Group management and the audit and risk committee receive a quarterly report on calls received and how they have been resolved.

The audit and risk committee will continue to review the whistle blowing policy and the RYC process annually.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 to 46. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are detailed in the financial review on pages 40 to 46. In addition, notes 22, 23 and 24 to the consolidated financial statements include the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with established agreements with a number of key customers and suppliers across different geographic areas and markets. The financial resources include £2.2bn of debt facilities, of which £0.8bn are undrawn, with the next significant maturity due in November 2018 (£0.8bn). The Group also has cash and cash equivalent balances at 31 December 2014 of £0.3bn. As a consequence, the directors believe that the Group is well placed to manage its business despite the economic environment which increases risks and uncertainties.

The directors, having made appropriate enquiries, are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated and Company financial statements.

THE ROLE OF THE REMUNERATION COMMITTEE AND REMUNERATION POLICY

The remuneration committee is responsible for making recommendations to the board on the Group's remuneration policy and setting the remuneration arrangements appropriate for the directors within the terms of the policy approved by shareholders. The directors' remuneration report, which includes the remuneration policy that received a binding vote from shareholders at the AGM 2014, is on pages 65 to 83 of this annual report.

SHAREHOLDER ENGAGEMENT

The board fully supports the principle of the Code which seeks to encourage more active interest and contribution from shareholders.

SHAREHOLDER ENGAGEMENT CYCLE

- presentations and conference calls for half year and full year results, and interim management statements;
- briefing meetings with major institutional shareholders in the UK, US and Europe;
- attendance of the directors at the AGM, (David Robbie was absent from the AGM 2014 due to ill health);
- attendance by senior executives from across the business at relevant meetings and conferences throughout the year;
- hosting investor and analyst meetings to address a variety of business areas (see below for more details);
- responding to enquiries from shareholders and analysts through our investor relations and company secretariat teams; and
- providing information through the investor section on the Company's website www.rexam.com and Rexam investor 'app'.

INSTITUTIONAL INVESTORS

Meetings are held in the UK, US and Europe following the announcement of the half and full year results to discuss the Group's operating and financial performance, including corporate governance related matters, and the Group's longer term strategy. The presentation slides shown to representatives of the investment community are available on the Company's website, as is a live webcast of the related results presentation. Contact is made with major institutional shareholders periodically and in advance of the AGM each year in order to understand their views on the Company and to ensure that their views are communicated to the board.

The non executive directors are given regular updates as to the views of institutional shareholders. After the investor meetings held following the announcement of the half and full year results, a summary report on investor responses is prepared for the board, normally by the Company's corporate brokers. The board also commissions periodic assessments of major investors' views on Company management and performance, based on results of surveys and extensive interviews. This survey also helps to plan the investor relations programme for the following year.

PRIVATE INVESTORS

Communication with private investors is largely through the AGM, which is held at a central London location. The notice of the AGM, the annual report and any related papers are provided to shareholders at least 20 working days before the date of the AGM to ensure that shareholders have sufficient time in which to consider the items of business to be voted upon. An electronic and paper proxy appointment service is offered to enable those who cannot attend in person to vote on the business being proposed at the meeting.

A presentation is made at the AGM to update shareholders on the Group's activities. Shareholders are given the opportunity to ask questions of the chairman, the board and the chairman of each board committee during the AGM and to meet the directors informally. Separate resolutions are proposed at the AGM on a poll for each item of business and an announcement confirming whether each resolution was passed at the AGM is made through the London Stock Exchange and on the Rexam website.

Rexam's ADR investors receive details of the AGM and are entitled to instruct the depository, The Bank of New York Mellon, to vote on the resolutions to be proposed at the AGM.

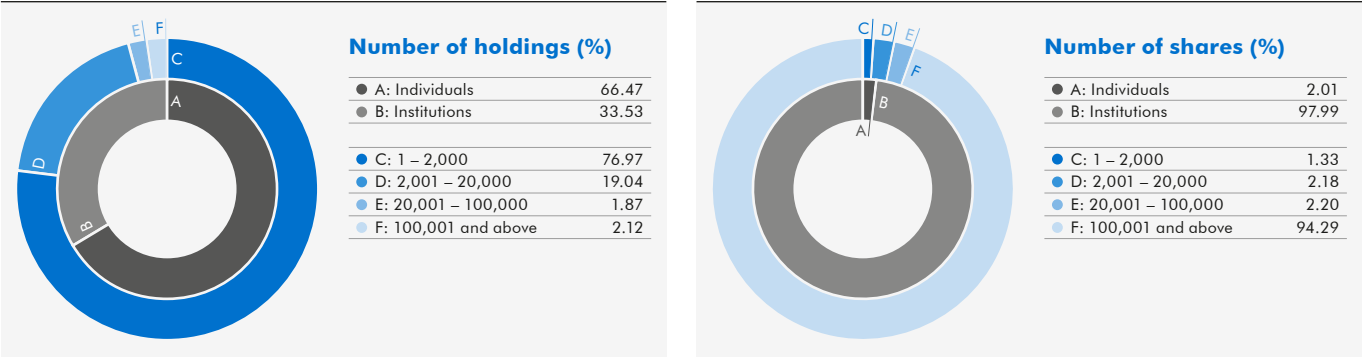
The percentage of the total number of shares voted at the AGM 2014 was 69.0% (2013: 69.5%). A summary of the number of votes cast in respect of each resolution can be found on the Rexam website together with the presentation slides shown at the AGM. All members of the board normally attend the AGM and the board receives a written report after the AGM giving details of the voting and any concerns raised by shareholders.

An event for private investors was held during the year, in conjunction with the UK Shareholders' Association (UKSA). A group of 15 private investors from the UKSA listened to presentations from the head of investor relations on Rexam's half year results and business strategy. The event enabled investors to ask questions and the Company to receive direct private investor feedback.

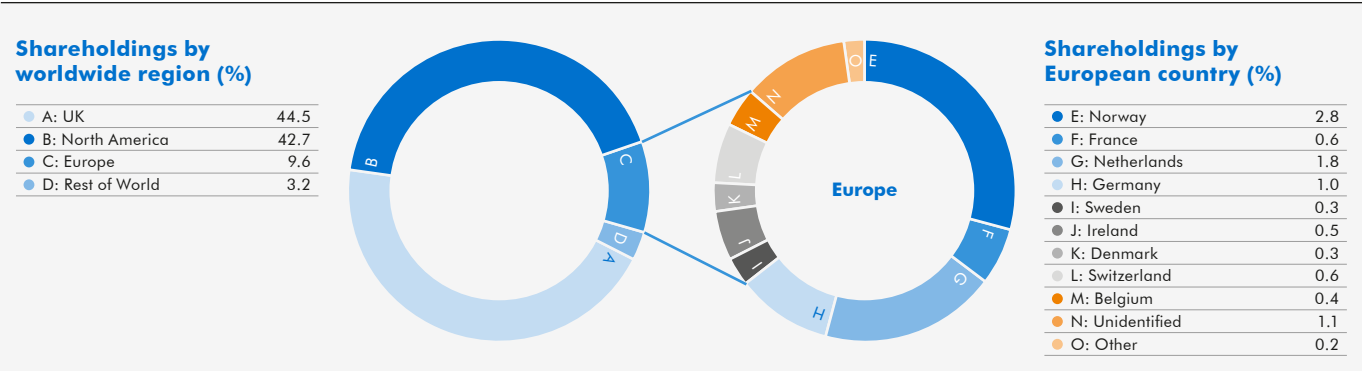
SHAREHOLDER ENGAGEMENT CONTINUED

SHAREHOLDERS BY PROFILE, SIZE OF HOLDING AND GEOGRAPHY

An analysis of Rexam ordinary share holdings by category and size is as follows:



An analysis of Rexam ordinary share holdings by geography is as follows:



REMUNERATION REPORT



Dear shareholders
I am pleased to present my first directors' remuneration report on behalf of the board for the year ended 31 December 2014.

Shareholders will be aware that the Company has announced a recommended offer from Ball Corporation. As is common in connection with such an offer, Ball has agreed to put in place certain remuneration arrangements for key employees in Rexam, including the executive directors. These arrangements are conditional upon, and would come into effect immediately following, a change of control. These are separate arrangements and do not form part of the Company's own remuneration arrangements for its executive directors. Further details can be found in Ball's announcement dated 19 February 2015.

The report is presented in two sections:

- The directors' remuneration policy which was approved by shareholders and became effective at the conclusion of the annual general meeting (AGM) on 2 May 2014.
- The annual report on directors' remuneration which sets out how the remuneration policy was applied during 2014. This report will be subject to an advisory vote at the AGM in 2015.

In 2013 the Remuneration Committee (the Committee) undertook a full strategic review of the Company's remuneration arrangements which formed the basis of the remuneration policy as approved by shareholders in 2014. This year the Committee concluded that the remuneration policy remained fit for purpose but that best practice developments required refinement of its operation of clawback provisions for performance based remuneration, as recommended by the recently revised UK Corporate Governance Code. Whilst malus provisions are already present in all of the Company's discretionary incentive plans (previously referred to as clawback), with effect from 1 January 2015, the Committee implemented a comprehensive malus and clawback policy to enable the Company to withhold and/or recover incentive payments in certain circumstances. Further details about malus and clawback are set out on page 69. The Committee is satisfied that these refinements to the remuneration policy are in accordance with current best practice, do not exceed the authorised limits or payments permitted by the existing approved policy and overall are in the interests of shareholders.

ACHIEVEMENTS AND REWARDS FOR 2014

Details of the remuneration decisions for 2014 are set out in the annual remuneration report on pages 74 to 82. The chairman's statement and the chief executive's review provide a clear picture of a challenging year but one of growth, particularly in our AMEA sector. Earnings per share (EPS) has grown and we have maintained our cash discipline to ensure positive cash flow which continues to enable us to invest for the future. Consequently bonus performance in the year has delivered above target as stated on page 75.

The Committee has considered the targets that were established for annual and long term incentives and the level of payout for the 2014 annual incentive. The Committee is satisfied that the outcome reflects the year's achievements measured in accordance with the business strategy.

During 2014 the finance director was absent for a period of time for medical reasons as stated on page 50. For the majority of his absence he continued to work remotely. Accordingly, the Committee has agreed a reduction of 15% to his annual incentive payment.

LOOKING FORWARD TO 2015

Following the sale of the Healthcare business and the alignment of the business as a global beverage can maker, the Committee has considered the salaries of the chief executive and the finance director. In addition, in determining an appropriate remuneration package, the Committee considers each individual's experience and contribution in order to align reward with the future achievement of the business strategy.

For 2015 the Committee has agreed that the chief executive's salary and finance director's salary remain unchanged from 2014. The Committee has also agreed to increase both the chief executive's and the finance director's minimum shareholding requirement in line with market practice to broadly two times base salary, effective from 1 January 2015. The chief executive and the finance director both currently have shareholdings that are significantly in excess of their increased minimum shareholding requirements.

We expect that in March 2015 the long term incentive awards granted in 2012 for the 2012–2014 performance period will vest at 44.4% for executive directors. The Committee is proposing that the 2015 long term incentive plan awards be granted with the same measures and weighting as those for the 2014 awards, as detailed on page 82. The EPS growth range will be set with a threshold of 3% pa and maximum vesting will require 11% pa in order to ensure that performance targets remain challenging but achievable. This represents a reduction of the targets set in 2014, but would require growth of c 8% pa in 2016 and 2017 in order to achieve the threshold vesting of 25% of the EPS based element. Full vesting would require 21% pa growth. The TSR and ROCE underpin remain unchanged.

The Committee will continue to maintain Rexam's remuneration policies such that they align with the Company's business strategy and provide the right framework for the Company to meet its objectives and deliver shareholder value.

Ros Rivaz
Remuneration Committee chair

ABOUT THIS REMUNERATION REPORT

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It also meets the requirements of the UK Listing Authority's Listing Rules.

The following parts of the remuneration report 2014 are audited: the single total figure of remuneration for directors, including annual incentive and long term incentive outcomes for the financial year ended 31 December 2014; long term incentives awarded during 2014; total pension entitlements; payments to past directors and payments for loss of office; and, directors' shareholdings and share interests.

REMUNERATION REPORT CONTINUED

REMUNERATION POLICY OVERVIEW

The Group's main objective is to create value for our shareholders and other stakeholders through our vision to become the best beverage can maker in the world. This means balancing profitable revenue growth, cash generation and the risk profile for the Group to deliver a strong return on capital employed. It is essential that the remuneration principles underpin these objectives and that achievement of the corporate strategy is reinforced through appropriate performance and management incentives. Rewards are aligned with the Company's performance so that executive directors are incentivised to achieve demanding results but within an appropriate risk profile for the Group.

OUR CURRENT REMUNERATION PRINCIPLES ARE AS FOLLOWS:

- Attracting, retaining and motivating highly qualified and talented people, providing competitive remuneration to all employees appropriate to the countries in which we are based.
- Ensuring that a significant portion of the remuneration package of an executive director is weighted towards variable performance related pay which rewards higher achievement.
- Promoting a consistent, clear and transparent link between business strategy and individual motivation to achieve performance and to create shareholder value.
- Providing a meaningful reward opportunity for achievement of stretching targets linked to delivery of our business strategy and achievement of personal performance objectives.
- Providing transparency and simplicity in the reward strategy and complying with regulation.

THE REMUNERATION POLICY

Linking reward to business strategy

see pages 18 and 19

- Long term incentives designed to align the interests of management with those of shareholders with a bias towards the longer term.
- Maintaining capital discipline with a focus on growth and creation of shareholder value in annual incentive design.
- Linking annual incentives to a balance of growth and return measures, including personal objectives, to align with strategy.

Key performance indicators

see pages 30 and 31

- Salaries are reviewed annually, taking account of both internal and external comparators
- Benefits offered are competitive and cost effective
- Executive directors participate in retirement benefit plans in their home country

Salary, benefits and retirement benefits

- Incentive metrics reflect key aspects of budgeted profit and cash, and personal performance objectives reflect strategy for growth. Awards are subject to malus and clawback

Annual cash incentives

- 25% of annual cash incentive is deferred into share awards. Awards are subject to a three year holding period and are subject to malus and clawback

Deferred bonus incentives

- Awards are granted with performance targets that are measured over three years and reflect the Company's strategy. Awards are subject to malus and clawback

Long term incentives

POLICY

DIRECTORS' REMUNERATION POLICY

This remuneration policy received a binding vote from shareholders at the AGM 2014 and became effective at the conclusion of the AGM on 2 May 2014. Any commitments, eg historical share awards, entered into prior to approval and implementation of the remuneration policy as detailed in this report will be honoured on their original terms.

Policy table – executive directors' fixed pay

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Base salary To attract and retain high performing talent by setting base salaries at rates comparable with what would be paid in an equivalent position elsewhere.	Salaries are reviewed annually taking account of our remuneration policy, personal performance and the experience of the executive director. Other factors considered are the levels of base salary provided for the broader employee base, prevailing market and economic conditions, and market data from companies of similar market capitalisation and revenue to Rexam with consideration of industry sector relevance.	Annual salary increases for executive directors will not normally exceed the average percentage increase awarded to other employees in the United Kingdom. Increases may be above this level; for example if there is an increase in the scope, scale, market comparability or responsibility of the role.	The overall performance of the individual is considered by the Committee when reviewing salary.
Benefits To provide competitive and cost effective benefits to assist executive directors to carry out their duties effectively.	The Company provides private healthcare insurance, permanent health insurance, a car benefit (or cash equivalent), travel, accommodation and meals while on Company business. The policy allows us to provide any other benefits that are deemed to be an employment benefit by the relevant tax authority, or in certain circumstances are considered appropriate and reasonable by the Committee. Such benefits may include relocation expenses and education allowances.	Set at a level which the Committee considers will provide a sufficient level of benefit based on the role and individual circumstances, such as relocation, and which are comparable with benefits offered by companies of similar size and complexity.	None.
Retirement and other related benefits To provide market competitive retirement and other related benefits.	<p>Executive directors who commenced UK based employment prior to 6 April 2011, participate in the Rexam Pension Plan, a career average revalued earnings defined benefit plan (the Plan). Members select a pensionable salary for the year and receive a salary supplement on pension eligible base salary not pensioned.</p> <p>Executive directors who commence UK based employment after 6 April 2011 are entitled to membership of a defined contribution pension arrangement.</p>	<p>Current executive directors receive a pension entitlement equal to 1/30th of their selected pensionable salary with an optional cash supplement of 44% of eligible base salary not pensioned. In the event of death in service of a member of the Plan with dependants, an age related amount of between 11 and 15 times salary is provided.</p> <p>In the event of ill health and subject to meeting eligibility criteria a benefit may be provided through the Plan in accordance with the Plan rules.</p> <p>A newly appointed executive director who is an internal recruit and already a member of the Plan is entitled to continue to participate in the Plan.</p> <p>Executive directors who are newly recruited may opt for a retirement plan contribution of 25% of base salary, or alternatively elect for a cash supplement of 22% of base salary. Death in service life cover of four times base salary and a Group income replacement plan, providing continuing income for two years at 50% of base salary after short term sickness benefit expires, with a lump sum of two times base salary payable on cessation of service if there is no return to work, is also provided.</p>	None.

POLICY

CONTINUED

Policy table – executive directors’ performance based pay

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
Annual incentives To incentivise the executive directors and senior executives to achieve profitable growth and to sustain the Group’s cash performance.	Financial and personal objectives are set at the start of the year and are aligned to strategic objectives. Following the end of the year, the Committee considers the extent to which these have been achieved and sets the award level. Annual payments are subject to overall Committee discretion taking into consideration both the attainment of the financial measures and achievement against personal objectives. Subject to malus and clawback.	Annual incentive opportunity as a percentage of base salary: Maximum performance 180% Target performance 90% Threshold performance 45% Annual incentive payments are not pensionable.	The annual incentive is based on annual financial performance, usually profit and cash which accounts for 80% of the overall incentive, and also on achievement of personal performance objectives which accounts for 20% of the overall incentive. Details of measures for 2014 are included on page 75.
Deferred bonus shares To add long term sustainability and shareholder alignment to short term performance achievement.	A proportion of the annual incentive as determined by the Committee is paid in Rexam shares and deferred for three years. Dividend equivalents are awarded in shares or cash equal to the dividends paid during the period between the date of grant and the date of transfer of the shares on the number of shares that vest. Subject to malus and clawback. Awards will be forfeited in the event that a participant voluntarily terminates his employment and breaches restrictive covenants.	A part of any earned annual incentive is to be deferred into Rexam shares, the current mandated amount being 25% of total incentive earned.	All deferred shares vest after three years.
Long term incentives To motivate and reward longer term performance, linked to key strategic objectives.	The Long Term Incentive Plan (LTIP) is used for the long term incentive arrangement. Awards which may be granted as nil cost options or conditional share awards vest to the extent that performance conditions have been achieved over a three year measurement period. Dividend equivalents are awarded in shares or cash equal to the dividends paid during the period between the date of grant and the date of vesting on the number of shares that vest. Subject to malus and clawback. Awards will be forfeited in the event that a participant voluntarily terminates his employment.	The maximum value that can be granted in a given year is 220% of base salary. Under each measure, threshold performance will result in 25% of maximum vesting for that element, rising on a straight line basis to full vesting.	The LTIP performance measures for awards from 2014 are relative total shareholder return (TSR) performance and EPS growth weighted 25% on TSR and 75% on EPS. The EPS portion will only vest if a certain minimum average return on capital employed (ROCE) is achieved. TSR targets are set with threshold being median ranking in the relative TSR versus the largest 150 companies (excluding investment trusts) by market capitalisation within the FTSE All Share Index; maximum vesting is for upper quartile ranking. EPS targets are set at the start of each three year measurement period having regard to a number of internal and external reference points. The ROCE underpin is set above the cost of capital.

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<p>All employee share plans</p> <p>To encourage voluntary participation in share ownership throughout the Group where share plans are appropriate.</p>	<p>Under the current all employee share plan UK based executive directors are entitled to participate in the UK tax approved Savings Related Share Option Scheme (SAYE).</p> <p>Participants make monthly contributions from salary for either three or five years linked to the grant of an option to buy Rexam shares at the end of the savings period at an option price which can be discounted by up to 20% of the market price on the invitation date.</p>	<p>Savings limits and the maximum discount for the option price are set by the UK tax authorities. The current maximum approved monthly savings limit is £500. The current maximum discount for the option price is 20% of the market price of a share on the invitation date.</p>	<p>None.</p>

Notes to the policy table

Use of discretion

The Committee will operate the annual incentive, deferred bonus plan, LTIP and, where relevant, the SAYE scheme, according to their respective rules (or relevant documents) and in accordance with the Listing Rules. The Committee retains discretion, consistent with market practice as to the operation and administration of these plans. This includes, but is not limited to, the following:

- selecting participants;
- reviewing performance measures, their weighting and targets, from year to year;
- determining the timing of an annual incentive payment or share grant;
- deciding the amount of annual incentive or share awards, as well as the proportion of an award vesting or paying out, upwards or downwards, within the individual limits specified on page 68;
- deciding how to treat leavers, depending on their leaving circumstances, as detailed on page 73;
- deciding the adjustments required in certain major corporate events such as rights issues, share buybacks, special dividends or corporate restructurings;
- taking the necessary decisions in the event of a change of control as detailed on page 73.

In exercising judgement and discretion, the Committee will ensure at all times that any adjustment will be made on a neutral basis, ie the intention of any adjustment will be that the event is not to the benefit or detriment of participants. Adjustments due to underlying performance may be made in exceptional circumstances to ensure outcomes are fair both to shareholders and to participants.

Any use of the above discretions would, where relevant, be explained in the annual report on remuneration in the following year's annual report and may, as appropriate, be the subject of consultation with the Company's major institutional shareholders. The use of discretion in relation to the Company's SAYE and share incentive plans will be as permitted under relevant legislation, HMRC guidance and the Listing Rules.

Malus and clawback

The Committee can cancel, reduce or impose further conditions in relation to the payment of annual incentives or the vesting of deferred, discretionary or performance awards. The triggers for these (malus) adjustments include: the financial results or statements of the Company being misstated (other than restatement due to a change in accounting policy or to rectify a minor error); management, shareholders or the market having been deliberately misled about the financial performance of the Company or if an individual's actions amounted to serious misconduct that resulted in the Group suffering a loss or reputational damage.

For the executive directors and any other selected individuals, the Committee can decide at any time within two years of the award payment or vesting date that an amount of value (in cash or shares) should be recovered (clawed back) from the individual or that subsisting awards or other proposed payments should be cancelled, reduced or have further conditions imposed. The clawback triggers are broadly the same as for malus and include any exceptional adverse circumstance that the Committee believes justifies the operation of malus/clawback.

In relation to the deferred bonus plan, awards will be forfeited in accordance with remuneration policy in the event that a participant voluntarily terminates his employment and breaches restrictive covenants.

Remuneration policy for other employees

The following differences exist between the policy set out above and the approach to the remuneration of employees generally.

- executive directors' annual incentive measures are set at Group level – other incentive plan participants are incentivised using a mix of sector and Group level measures;
- only executive directors are required to defer 25% of their annual incentive into Rexam shares;
- the LTIP as described above applies to executive directors, the executive leadership team and senior management. Similar arrangements apply for all other participants although the performance measures and targets may vary;
- from time to time specific incentives may exist that relate to a specific sector or country, the terms of which are similar to other Group incentives;
- clawback will apply to the executive directors and to any other employees by direction of the Committee.

POLICY

CONTINUED

Performance measure selection and approach to target setting

Measures and weightings for the annual incentive are reviewed and selected annually by the Committee to align with the Company's strategic priorities for the year. Targets are set by reference to both financial and non financial objectives; related profit and cash flow with threshold and maximum for cash determined by reference to profit, and personal performance measures (see pages 74 and 75). The measures used under the share incentive plans are selected annually and reflect the Group's main key performance indicators for the year (see pages 30 and 31).

The performance measures proposed for 2015 are set out below.

Incentive plans	Performance measure	Reasons for selection
Annual incentive plan	Profit before tax (or operating profit at business or sector level)	Key driver of shareholder value. Captures growth as well as Rexam's ability to manage costs.
	Cash flow	Encourages operational cash discipline and responsible and well timed investments. Encourages the ability to link to specific strategic annual objectives.
	Personal objectives	Alignment of behaviours to strategic annual objectives.
Long term incentive plan	Earnings per share	Captures long term growth and drives shareholder value creation.
	Relative total shareholder return	Captures creation of shareholder value and rewards management for outperformance.
	ROCE underpin for earnings per share measure	Rexam is committed to maintaining strong capital discipline and balance growth and returns.

The Committee believes that EPS, with the ROCE underpin, and TSR provide strong alignment with shareholder interests and our longer term strategy. These measures also strike a good balance between growth and returns, as well as between internal and external perspectives on the Company's performance.

Policy table – non executive directors' fees

Element, purpose and link to strategy	Operation	Opportunity
Non executive directors' fees To attract and retain non executive directors of the highest calibre with broad commercial and other experience relevant to the Company.	The fees of the chairman, the senior independent director and the other non executive directors are reviewed annually. Fee levels are benchmarked against FTSE listed companies of similar size and complexity and against sector comparators. The chairman is paid a single, consolidated fee and non executive directors are paid a basic fee. An additional fee is paid to the senior independent director and to the chairs of the board committees. If revised, the effective date of any fee change is 1 January.	An annual fee will be paid monthly to the chairman and non executive directors. Each will be set at a sufficient level to attract, motivate and retain non executive directors while being proportionate to the requirements, time commitment of the role and the contribution that is expected. An additional fee is paid to the senior independent director and to the Committee chairs. The maximum fee that the non executive directors (including the chairman) will be paid by way of remuneration for their services as directors of the Company is set with reference to the relevant comparator group. The aggregate fee that can be paid as stated in the Company's articles of association is £1,000,000 pa.
Benefits To provide benefits in a cost efficient way to assist non executive directors to carry out their duties effectively.	The chairman and the non executive directors may be eligible for benefits to assist them to carry out their duties effectively. The Company reimburses travel, accommodation and meals to the chairman and the non executive directors while on Company business and provides secretarial support to the chairman of the Company. The policy allows us to provide any other benefits that are deemed to be a benefit by the relevant tax authority, or in certain circumstances are considered appropriate and reasonable by the Committee, such as financial advice.	Set at a level which the Committee considers will provide a sufficient level of benefit based on the role and are comparable with benefits offered by companies of similar size and complexity. The non executive directors do not participate in the Company's incentive plans or receive retirement related benefits.

Approach to remuneration upon the appointment of a new executive director

In the cases of hiring or promoting an executive director from within Rexam, the Committee will align the remuneration package with the stated remuneration policy, as described in the table below. In determining the appropriate remuneration, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both Rexam and its shareholders.

Item	Approach	Maximum
Base salary	The base salary will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial base salaries set below market, any shortfall may be managed with phased increases over a period of two to three years.	Set at a level appropriate to attract talent, taking into account market conditions.
Retirement and other related benefits	As outlined under Retirement and other related benefits in the table on page 67. Externally recruited executives can opt for a retirement plan pension contribution or an equivalent cash supplement.	Maximum contributions are as outlined under Retirement and other related benefits in the table on page 67.
Benefits	Eligible to receive benefits outlined under Benefits in the table on page 67 and may include any appropriate relocation expenses.	Benefits should be in line with those offered to other executive directors.
Annual incentives	The structure described in the policy table on page 68 will apply pro rated to reflect the proportion of employment over the year.	The maximum opportunity is 180% of base salary.
Long term incentives	Will be granted awards under the LTIP as described in the policy table on page 68 at the next scheduled grant date.	The maximum award size is 220% of base salary at date of grant.

External recruitment

The Company's policy is that all executive directors serve under contracts terminable by the Company or the executive director on one year's notice. However, in circumstances which the Committee considers exceptional and believes it appropriate to do so, the policy allows for an externally recruited executive director to be offered a contract terminable by the Company on two years' notice if, for reasons other than poor performance, the contract is terminated in the first year of appointment. Thereafter, the contract would become terminable on one year's notice.

If circumstances are such that it is not possible to make awards under the incentive arrangements in the remuneration policy, the Committee may make an award in respect of a new external appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including (i) any performance conditions attaching to those awards; (ii) the likelihood of those conditions being met; and (iii) the proportion of the vesting period remaining. Under exceptional circumstances, the Committee may consider it appropriate to grant a buy out award under a structure not included in the policy, exercising the discretion available in the Listing Rules of the UK Listing Authority. Awards will not be of a materially greater fair value (as assessed by the Committee) than the fair value of awards that the appointee is giving up.

Internal recruitment

In cases of appointing a new executive director by way of an internal promotion, the Committee will follow the approach in the table above. Where an individual has contractual commitments made prior to their promotion to executive director level, the Company may honour these arrangements; however, with the exception of retirement and life assurance benefits, these arrangements would be expected to transition to the arrangements as stated in the table.

Employment contracts for executive directors

Graham Chipchase was appointed to the board on 10 February 2003 and the date of his current employment contract is 30 November 2009. David Robbie was appointed to the board on 3 October 2005 and the date of his current employment contract is 20 October 2010. The executive directors have rolling employment contracts which contain the key terms shown in the table below and which are more fully explained in the policy table on pages 67 to 69 and in the termination of contracts and exit payment policy on page 73.

Item	Terms
Remuneration	Base salary, pension and benefits, including long term disability, personal accident and life assurance Private health insurance for director and dependants 30 days' paid annual leave Participation in annual incentive plan and deferred bonus plan, subject to plan rules Participation in LTIP, subject to plan rules Participation in SAYE, subject to plan rules
Notice period	12 months' notice from the Company 12 months' notice from the executive director
Termination payment	Payment in lieu of notice equal to: 12 months' base salary, pension supplement and 5% of base salary in respect of benefits paid in monthly instalments. The executive director has a duty to mitigate his or her loss of office
Takeover/Change of control	No special contractual provisions apply in the event of a takeover or change of control
Restrictive covenants	During employment and for 12 months after leaving

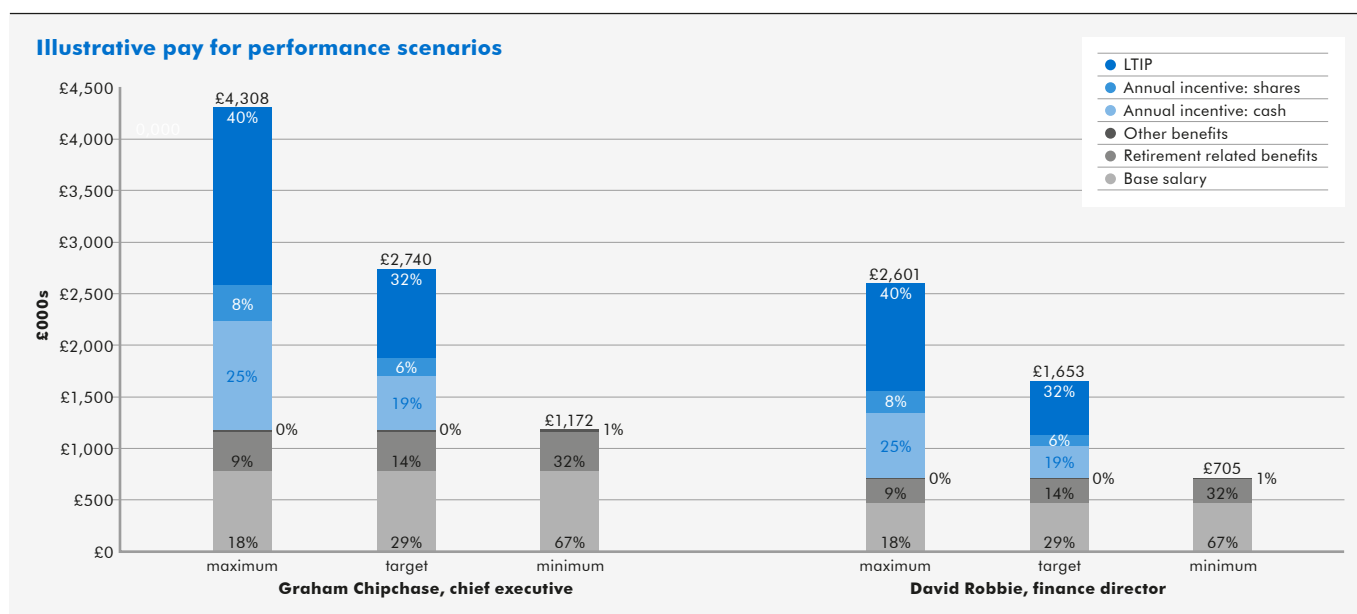
The employment contracts for the executive directors are available for viewing during business hours at the registered office of the Company.

External directorships

The Company's policy is to permit executive directors to have non executive directorships with other companies, subject to the approval of the chairman of the board. Any fees payable will be retained by the executive director unless otherwise agreed.

Graham Chipchase has been a non executive director of AstraZeneca PLC since 26 April 2012. His director fees in 2014 which he retained were £91,734 (2013: £95,000).

POLICY CONTINUED



Assumptions

Fixed remuneration

• base salary	Chief executive £784,380, finance director £473,790
• retirement related benefits	48.2% of base salary, including death in service cover and less an offset where applicable
• other benefits	Value of benefits based on those received in 2013 when policy was approved

Annual incentive	maximum	target	minimum
• annual incentive: cash	135% of salary	67.5% of salary	0% of salary
• annual incentive: shares	45% of salary	22.5% of salary	0% of salary
Long term incentive	maximum	target	minimum
• LTIP	220% of salary (100% vesting)	110% of salary (50% vesting)	0% of salary (0% vesting)

Contracts for services for non executive directors

Non executive directors do not have contracts of employment but serve under contracts for services and are generally appointed for an initial three year term renewable thereafter, at the discretion of the board, for a maximum of two further three year terms, subject to election or re-election by shareholders at the Company's AGM. Appointments of non executive directors are terminable without compensation in the event that the director is not elected or re-elected by shareholders, or by either the Company or the non executive director giving one month's written notice or, in the case of the chairman of the Company and the senior independent director, by either the Company or the chairman or senior independent director giving three months' written notice.

Non executive director	Date of appointment	Date of original letter of appointment	Effective date of current letter of appointment	Expiry of current term
Stuart Chambers	1 February 2012	15 November 2011	1 February 2015	31 January 2018
Carl-Peter Forster	10 June 2014	3 June 2014	10 June 2014	9 June 2017
John Langston	30 October 2008	30 October 2008	30 October 2014	29 October 2017
Leo Oosterveer	1 September 2011	10 August 2011	1 September 2014	31 August 2017
Ros Rivaz	12 June 2013	12 June 2013	12 June 2013	11 June 2016
Johanna Waterous	4 May 2012	3 April 2012	4 May 2012	3 May 2015

Termination of contracts and exit payment policy

The Company has the right to terminate an employment contract immediately, even where termination is without cause. In such circumstances, the contract provides for a payment in lieu of notice to be made and calculated by reference to base salary, prorated annual incentive to the period on which employment terminates, retirement benefits and other benefits, and there is no entitlement under the employment contract to payment of any annual incentive in respect of the termination notice period. When considering termination payments, the Committee reviews all potential incentive outcomes to ensure they are fair both to shareholders and participants. If employment is terminated by the Company, the departing executive director may have a legal entitlement (our policy is to comply with any applicable legal requirements under relevant legislations) to additional amounts, which would need to be met. The Committee retains discretion to settle any other amounts reasonably due to the executive, for example to meet the legal fees incurred by the executive in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and the individual must seek independent legal advice. As part of its policy, the Committee also has discretion to meet reasonable relocation costs if the executive director had relocated to perform their duties. The table below summarises how different elements of remuneration are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion which will take into account the executive director's personal performance.

Item	Approach
Pay in lieu of notice	The Company will make any termination payment in monthly instalments over what would have been the notice period until the earlier of the director commencing in a new position or the notice period expiring. The executive has a duty to mitigate his or her loss of office and actively seek alternative comparable employment at the earliest opportunity, thereby reducing the need for compensation. The Committee may decide to waive the requirement to mitigate in exceptional circumstances, for example compassionate reasons.
Retirement and other related benefits	Retirement and other benefits continue to be provided during the notice period but cease on the termination date. Executive directors who leave in circumstances approved by the Committee, for example, incapacity retirement, may have a favourable actuarial reduction applied to their pension or may receive a pension related enhancement under the rules of the Plan.
Benefits	May be eligible to receive limited benefits, such as untaken holiday pay, relocation and, for a certain period of time, private health insurance, permanent health insurance, and financial and legal advice.
Annual incentives	Annual incentives may be paid on a prorated basis dependent on the circumstances under which the executive is leaving the Company, for example redundancy, retirement, death, injury or ill health, to the extent that financial and individual objectives set at the beginning of the relevant year have been met. Any resulting bonus will be prorated for time served during the year and is subject to malus and clawback.
Long term incentives	Outstanding share based awards will generally vest at the end of their original measurement period (to the extent performance conditions are met) on a time prorated basis, in the event of serious ill health, injury or disability and retirement (with employer consent) and in any other circumstances where the Committee would decide, in its sole discretion, to allow the awards to vest. The Committee has discretion to allow the awards to vest immediately on cessation of employment (eg in the event of death or other compassionate circumstances) and, in very exceptional circumstances, without applying time prorating if it thinks this is appropriate. Any potential or vested awards are subject to malus and clawback. More specific provisions relating to change of control are given below.
SAYE	Participants in the SAYE schemes who leave because of injury, disability, redundancy, retirement or the sale of a business will have the option to buy a reduced number of Rexam shares with their savings within six months from the date of leaving. The option to buy shares lapses at the end of six months. Options held by participants leaving for other reasons will lapse except if the contract has been held for at least three years from the date of grant in which case the option to buy shares continues for six months from the date of leaving employment.
Deferred shares	The proportion of the annual incentive paid in deferred shares will vest on the date of termination of employment (subject to the executive director's restrictive covenants, and the Company's right to initiate malus and clawback) if the participant leaves because of death, ill health, injury, retirement (with employer consent), redundancy, sale of business, voluntary resignation, or for any other reason which the Committee considers appropriate.
Takeover/Change of control	In the event of a takeover or other major corporate event (but excluding an internal corporate reorganisation of the Company), all outstanding awards granted under the LTIP and the deferred bonus plan would vest and in the case of the LTIP, subject to the achievement of any performance conditions as determined by the Committee and taking into account any pro rata reduction to reflect the unexpired part of the performance period. The Committee has discretion to disapply time pro rating if it considers it appropriate to do so. In the event of an internal corporate reorganisation or a takeover, the Committee may determine, with the agreement of the acquiring company, that outstanding awards should be exchanged for equivalent awards in another company. Options granted under the Company's Savings Related Share Option Schemes would become exercisable in accordance with the prescribed legislation.

Consideration of employment conditions elsewhere in the Group

The Company encourages each of its businesses to engage with its employees in the form of team briefings, 'townhall' meetings or through the employee engagement survey to discuss and answer questions, or give feedback, on matters of relevance to them. However, the Company does not formally consult with employees on remuneration policy or framework. When making decisions on executive director remuneration, the Committee considers pay and conditions across the broader employee base. Prior to the annual salary review, the Committee considers the proposed level of increase for overall employee pay. An exception to this may be considered where new appointees have initial base salaries set below market, and where there is an intention for any shortfall to be managed with phased increases over a period of two to three years or where the role of the executive director has increased substantially due to a change in the scope of the position or organisational change.

Consideration of shareholder views

The Committee chairman and the Company Secretary are available to meet with institutional shareholders should such shareholders wish to discuss any of the policy related disclosures or outcomes in this directors' remuneration report.

ANNUAL REMUNERATION REPORT 2014

ANNUAL REMUNERATION REPORT 2014

Single total figure for executive directors' remuneration (audited information)

The table below sets out a single figure for the total remuneration due, or which will become due, to each executive director for the year ended 31 December 2014 and the prior reported year.

	Base salary £000		Retirement related benefits £000		Other benefits £000		Total fixed remuneration £000		Annual incentive cash £000		Annual incentive deferred share value £000		LTIP value 2012 award (est) £000	LTIP value 2011 award (actual) £000	Total £000	Total £000
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Graham Chipchase	779	763	396	407	12	10	1,187	1,180	718	289	239	96	849	1,878	2,993	3,443
David Robbie	471	461	242	252	47	3	760	716	339	174	113	58	523	1,164	1,735	2,112
Total	1,250	1,224	638	659	59	13	1,947	1,896	1,057	463	352	154	1,372	3,042	4,728	5,555

1 The table does not include the fees that Graham Chipchase received as a non executive director of AstraZeneca PLC.

2 The total emoluments due to the executive directors and the non executive directors in respect of the year ended 31 December 2014 calculated in accordance with Schedule 5 of the Companies Act 2006 is £3,914,000 (2013: £3,007,000).

The figures in the table have been calculated as follows:

- Base salary: the actual salary earned.
- Retirement related benefits: for 2014, the value of the salary supplement paid equal to 44% of base salary, together with the value of the net increase in pension accrual which represents the incremental value to the director of the benefit accrued up to 31 December and 4.2% of base salary which represents the cost of providing life assurance and incapacity benefits. Both Graham Chipchase and David Robbie chose that none of their base salary would be pensionable in 2014 and made no employee contributions. The accrued retirement benefit at 31 December 2014 which would become payable at age 60 for Graham Chipchase is £115,333 pa and, for David Robbie, £88,930 pa.
- Other benefits: the value of annual benefits received in the year which comprise one or more of healthcare, accommodation, meals and the value of the discount on the shares under option through the SAYE Scheme. In addition the Company paid a proportion of the medical expenses incurred during David Robbie's medical absence resulting in a benefit of £38,807.
- Total fixed remuneration: the total value of base salary, retirement related benefits, and other benefits.
- Annual incentive cash payment: the value on 31 December of the cash incentive payable in the following March for achievement of targets. The annual incentive outcome for David Robbie is the reduced payment approved by the Committee.
- Annual incentive deferred share element: the value on 31 December of the deferred share award representing 25% of the total annual incentive usually payable in the following March for achievement of targets. The share awards are subject to the participant being employed by the Company on the date the awards vest, except in the circumstances stated in the termination of contracts and exit payment policy (see page 73).
- Long term incentive plan (LTIP): for 2013, the actual value of the 2011 award paid on the date of vesting in 2014 at a market price of £4.912633 per share plus the dividend equivalent of 43.3 pence paid on each share that vested. The LTIP value of the 2011 award disclosed in the remuneration report 2013 was the estimated value as the award had not reached its vesting date which was 10 March 2014. For 2014, the estimated value of the 2012 award at the actual vesting percentage and an average share price of £4.617 for the three months to 31 December 2014, together with the cash value of the dividend equivalent of 48.1 pence that will be paid on each share that vests. The actual vesting date is not expected to be until 16 March 2015, being the first business day after the third anniversary of the date of grant.

Annual incentive outcome 2014 (audited information)

To incentivise management to achieve profitable growth and sustainable cash flow, the annual cash incentive financial targets in 2014 depended upon the realisation of targets for Group underlying profit before tax and free cash flow as well as personal performance. At target, the annual incentive achievement was 90% of base salary and the maximum incentive opportunity was 180% of base salary for achieving demanding financial targets and exceeding personal performance objectives. Personal performance was measured against personal objectives and Rexam specific leadership practices. The executive directors receive 25% of any annual incentive as a deferred award over Rexam shares, with no additional performance conditions save that such shares must be held for a period of not less than three years and awards are subject to clawback and malus. The policy relating to clawback and malus is described in the policy section of this report.

The financial targets for 2014 were partially achieved and resulted in the executive directors being entitled to an annual incentive of 94.2% of base salary in respect of financial targets. In addition, the Committee assessed the achievement by each executive director of their personal objectives set at the beginning of 2014 and agreed attainment levels as indicated in the table below.

Annual incentive outcomes for Graham Chipchase 2014

Performance measure	Weighting %	Maximum % of salary	Performance achieved relative to targets ¹				Incentive payout	
			Below threshold	Threshold to target	Target to maximum	Above maximum	Actual performance achieved ²	% of salary achieved
Underlying profit before tax	50%	90%		✓			£361m	40.2%
Free cash flow	22.5%	40.5%				✓	£237m	40.5%
Cash conversion	7.5%	13.5%				✓	101%	13.5%
Personal objectives	20%	36%			✓			27.9%
Total		180%						122.1% ³

1 The actual targets are not disclosed as the board considered that their disclosure would provide an unfair advantage to the Company's competitors. The 2014 targets will be disclosed in the Directors' remuneration report 2015.

2 Adjusted for items not subject to bonus, such as the translation impact of foreign exchange.

3 The total incentive payment to Graham Chipchase is £957,728.

Annual incentive outcomes for David Robbie 2014

Performance measure	Weighting %	Maximum % of salary	Performance achieved relative to targets ¹				Incentive payout	
			Below threshold	Threshold to target	Target to maximum	Above maximum	Actual performance achieved ²	% of salary achieved
Underlying profit before tax	50%	90%		✓			£361m	40.2%
Free cash flow	22.5%	40.5%				✓	£237m	40.5%
Cash conversion	7.5%	13.5%				✓	101%	13.5%
Personal objectives	20%	36%			✓			18.0%
Total		180%						112.2% ³

1 The actual targets are not disclosed as the board considered that their disclosure would provide an unfair advantage to the Company's competitors. The 2014 targets will be disclosed in the Directors' remuneration report 2015.

2 Adjusted for items not subject to bonus, such as the translation impact of foreign exchange.

3 Despite his period of medical absence, David Robbie met all his personal objectives for the year and performed well. However, in awarding his bonus note has been taken of his absence and its impact on his ability to outperform and thus has been reduced by 15%. His bonus outcome for 2014 would have been £531,592 which has been reduced to £451,853.

Annual incentive outcome against targets in 2013

2013 achievement against target		Performance achieved relative to targets				Incentive payout		
Performance measure	Weighting %	Threshold	Target	Maximum	Actual performance achieved ¹	% of maximum opportunity achieved	% of salary achieved Graham Chipchase	% of salary achieved David Robbie
Underlying profit before tax	50%	£440.5m	£463.7m	£510.1m	£421m	0%	0%	0%
Free cash flow	30%	£128.1m	£151.3m	£197.7m	£186m	87.6%	47.3%	47.3%
Personal objectives	20%				See note 2		22.5%	23.4%
Total							69.8% ³	70.7% ³

1 Adjusted for items not subject to bonus, such as the translation impact of foreign exchange.

2 Personal objectives are set by the board and reviewed by the Committee. Objectives encompass strategic metrics that aim to deliver sustained targeted growth and drive Company principles and priorities.

3 The Committee reviewed the outcomes and, taking account of the actual profit performance compared with the original target, decided to reduce the total incentive payment to 50% of base salary for each director.

ANNUAL REMUNERATION REPORT 2014 CONTINUED

LONG TERM INCENTIVE OUTCOME 2014 (AUDITED INFORMATION)

Long term incentive awards granted in 2012 through the LTIP completed their measurement period on 31 December 2014. Vesting of the awards was dependent on three equally weighted measures over a three year performance period; EPS growth, relative TSR compared with the largest 150 companies (excluding investment trusts) by market capitalisation within the FTSE All Share Index, and ROCE. There is no retest provision. The awards were granted with the right to the payment in cash of a dividend equivalent on the number of shares that vest based on the notional value of the dividends paid between the date of grant and the date of transfer of the shares. Further details, including vesting schedules and performance against each of the measures is provided in the table below.

Measure	Weighting	Threshold (vesting 25%)	Maximum (vesting 100%)	Outcome	Vesting
EPS growth	33%	3% pa	12% pa	3.2% pa	9.0%
Relative TSR	33%	Median	Upper quartile	68th in ranking	8.3%
ROCE ¹	33%	12%	16%	15.0%	27.1%
Overall LTIP vesting					44.4%

¹ The outcome reflects three year average ROCE achievement.

For each of the three performance measures, the vesting below threshold is nil. Between threshold and maximum, the vesting is calculated on a straight line basis between 25% and 100%, and the vesting is capped at 100% for achievements at or above maximum.

Each executive director's award is expected to vest on 16 March 2015, the first business day after the third anniversary of the date of grant. For the purpose of calculating a single total figure for remuneration, the value of the LTIP vesting in 2015 has been estimated as set out below.

Executive director	Interests held	Vesting	Dividend equivalent per share	Interests vesting	Date vesting	Assumed market price ¹	Dividend equivalent	Estimated total value
Graham Chipchase	375,131	44.4%	48.1p	166,558	16.03.15	£4.617	£80,114	£849,112
David Robbie	230,849	44.4%	48.1p	102,496	16.03.15	£4.617	£49,301	£522,525

¹ As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average share price of £4.617 for the three months to 31 December 2014. The actual value at vesting will be notified in the directors' remuneration report 2015.

LTIP AWARDS TO EXECUTIVE DIRECTORS IN 2014 (AUDITED INFORMATION)

In April 2014, executive directors were granted nil cost options under the LTIP. The three year performance period over which performance will be measured commenced on 1 January 2014 and will end on 31 December 2016. The awards vest on 2 April 2017, the third anniversary of the date of grant and, if performance targets are achieved, executive directors can exercise their options to the extent vested at any time before 2 April 2024.

Executive director	Date of grant	Earliest date of exercise	Award value as a % of salary ¹	Threshold vesting as a % of maximum	Shares over which awards granted ²	Average price at date of award ³	Face value at date awards granted
Graham Chipchase	02.04.14	02.04.17	220%	25%	347,107	£4.874	£1,691,800
David Robbie	02.04.14	02.04.17	220%	25%	209,663	£4.874	£1,021,897

¹ Based on annual salary at date of grant.

² The number of shares over which awards were granted represents the maximum number of shares which would vest if the performance conditions are achieved in full.

³ The awards were granted using the average of the middle market quotations of a share during the five dealing days immediately preceding the date of grant.

For the LTIP awards granted in 2012, 2013 and 2014, executive directors were granted conditional awards as nil cost options. The LTIP awards vest on the third anniversary from the date of grant, dependent on achievement of performance measures set at the date of grant and measured over a three calendar year performance period. The 2012 and 2013 awards are subject to three equally weighted measures; EPS growth, relative TSR versus the largest 150 companies (excluding investment trusts) by market capitalisation within the FTSE All Share Index, and ROCE. The 2014 award is subject to two measures; 25% of the award is weighted to relative TSR versus the largest 150 companies (excluding investment trusts) by market capitalisation within the FTSE All Share Index, and 75% of the award to EPS growth with a ROCE underpin. There is no retest provision. The tables below set out the performance ranges for each measure over the past three years. The ROCE performance range and EPS threshold were increased in 2013 reflecting the Group's improving performance.

Performance measures	Weight	Performance ranges ¹	2013 grant	2012 grant
			Target	Target
Compound earnings per share (EPS) growth per annum	33.3%	threshold	5% pa	3% pa
		maximum	12% pa	12% pa
Relative total shareholder return (TSR) performance	33.3%	threshold	median	median
		maximum ²	25th	25th
Return on capital employed (ROCE)	33.3%	threshold	14%	12%
		maximum	16%	16%

Performance measures	Weight	Performance ranges ¹	2014 grant
			Target
Compound earnings per share (EPS) growth per annum	75%	threshold	5% pa
		maximum	12% pa
			ROCE underpin applying to EPS at or above 12% and above the three year average cost of capital
Relative total shareholder return (TSR) performance	25%	threshold	median
		maximum ²	25th

1 Between the threshold and maximum targets, vesting will be calculated on a straight line basis between 25% and 100% of maximum.

2 Maximum vesting is at or above the 25th percentile of the comparator group.

Single total figure for non executive directors' fees (audited information)

The table below sets out a single figure for the total fees due, or which will become due, to each non executive director for the year ended 31 December 2014 and the prior reported year.

	2014 Fees	2013 Fees	2014 Benefits ¹	2013 Benefits ¹	2014 Total	2013 Total
	£000	£000	£000	£000	£000	£000
Chairman						
Stuart Chambers	320	320	3	1	323	321
Non executive directors						
Carl-Peter Forster (appointed 10 June 2014)	31	–	–	–	31	–
John Langston	70	70	1	1	71	71
Leo Oosterveer	55	55	2	–	57	55
Ros Rivaz (appointed 12 June 2013)	64	30	2	–	66	30
Jean-Pierre Rodier (retired 2 May 2014)	24	70	6	–	30	70
Johanna Waterous	70	70	1	1	71	71
Total	634	615	15	3	649	618

1 The benefits in kind related to events to which the directors were invited.

Payments made in the year to former directors (audited information)

No former directors have received any payments in 2014 other than Jean-Pierre Rodier who received non executive director fees earned up until the date of his retirement (2013: nil). No payments (other than regular pension benefits which commenced in previous years) were made during the year ended 31 December 2014 (2013: nil) to any past director of the Company.

Payments made in the year for loss of office (audited information)

No executive directors left the Company during the year ended 31 December 2014 and therefore no payments for compensation for loss of office were paid to, or receivable by, any director (2013: nil).

ANNUAL REMUNERATION REPORT 2014 CONTINUED

Directors' shareholding, share interests and shareholding requirements (audited information)

In order to forge a closer community of interest with shareholders, executive directors are required to accumulate over time and retain a shareholding in the Company. Shares can be purchased in the market or acquired on the vesting of share incentives. Shares awarded through the deferred bonus plan are included for the purpose of assessing the minimum shareholding requirement.

The minimum shareholding requirement was 320,000 shares for the chief executive and 130,000 shares for the finance director. The share ownership guidelines for the chief executive and the other executive directors are reviewed annually. The Committee reviewed the guidelines during 2014 and with effect from 1 January 2015, the minimum shareholding requirement for the chief executive has increased to 350,000 shares and, for the finance director, to 210,000 shares.

Graham Chipchase and David Robbie exceeded their minimum shareholding requirement during 2014. The majority of the ELT members (see page 51) met their minimum 50,000 shareholding requirement.

The table below shows the shareholding of each director against their respective shareholding requirement as at 31 December 2014, including those interests of connected persons where applicable.

	Shareholding requirement in 2014		Shares beneficially owned ³		Deferred bonus shares subject to holding period		LTIP shares subject to performance conditions ⁴		SAYE options in savings period and cannot be exercised		Shareholding requirement met?
	Shares	Equivalent % of 2014 salary ¹	1 Jan 2014 ²	31 Dec 2014	1 Jan 2014	31 Dec 2014	1 Jan 2014	31 Dec 2014	1 Jan 2014	31 Dec 2014 ⁵	
Executive directors											
Graham Chipchase	320,000	185	384,241	514,062	107,301	126,309	1,093,873	1,034,265	7,334	2,222	Yes
David Robbie	130,000	125	214,535	300,370	65,126	76,607	671,295	628,976	7,334	2,222	Yes
Chairman and non executive directors											
Stuart Chambers			47,000	41,777							–
Carl-Peter Forster			–	–							–
John Langston			3,681	3,272							–
Leo Oosterveer			3,600	3,200							–
Ros Rivaz			4,000	3,555							–
Johanna Waterous			11,500	10,222							–

1 The value of each executive director's shareholding requirement was calculated using the 31 December 2014 mid market price of £4.538 per share.

2 Or date of appointment, if later. Carl-Peter Forster was appointed as a non executive director on 10 June 2014.

3 Following the share consolidation on 2 June 2014, all shareholders received eight new shares for every nine existing shares held on that date and one B share or one C share for every existing share held on the record date. Further details of the share consolidation and the return of cash can be found on page 85. The variation between the shares beneficially owned on 1 January 2014 and 31 December 2014 in the table above includes that share consolidation. Graham Chipchase has deferred the payment of 57p per share due on part of his B shareholding until the redemption date on 24 March 2015. At 31 December 2014, he held 285,035 B shares.

4 The value of the LTIP awarded in 2011 and which vested in March 2014 is given in the notes to the table on page 79.

5 Graham Chipchase and David Robbie exercised SAYE options that had been granted in 2009 at an option price of £2.12 per share and which matured on 1 December 2014. The options were exercised on 1 December 2014 and 7,334 shares were allotted to Graham Chipchase and David Robbie respectively. The market value at the date of exercise was £4.4775 per share.

The above interests in awards and options over shares at 31 December 2014 remain unchanged at the date of this report.

Deferred Bonus Plan (DBP)

The number of shares to which the participant is entitled is reflected in the 'outstanding' columns of the table. Executive directors held the following awards over shares which represents 25% of their annual incentive entitlement in respect of 2011, 2012 and 2013.

	Market value per share on date of grant £	Grant date	Exercise price per holding £	Release date	Outstanding 01.01.14 number	Granted during the year number	Outstanding 31.12.14 number
Graham Chipchase	4.16	28.02.12	nil	28.02.15	55,257	–	55,257
	5.069	28.02.13	nil	28.02.16	52,044	–	52,044
	5.057	28.02.14	nil	28.02.17	–	19,008	19,008
Total					107,301	19,008	126,309
David Robbie	4.16	28.02.12	nil	28.02.15	33,290	–	33,290
	5.069	28.02.13	nil	28.02.16	31,836	–	31,836
	5.057	28.02.14	nil	28.02.17	–	11,481	11,481
Total					65,126	11,481	76,607

Long Term Incentive Plan 2009 (LTIP)

The maximum number of shares to which the participant is entitled is reflected in the 'outstanding' columns of the table. Executive directors held the following awards over shares.

	notes	Market value per share on date of grant £	Grant date	Exercise price per holding £	Vesting date (note 1)	Outstanding 01.01.14 number	Granted during the year number	Exercised during the year number	Lapsed during the year number	Outstanding 31.12.14 number
Graham Chipchase	2	3.6512	08.03.11	nil	08.03.14	406,715	–	351,401	55,314	–
	3	4.1930	15.03.12	nil	15.03.15	375,131	–	–	–	375,131
	3	5.2880	03.04.13	nil	03.04.16	312,027	–	–	–	312,027
	3	4.8740	02.04.14	nil	02.04.17	–	347,107	–	–	347,107
Total						1,093,873	347,107	351,401	55,314	1,034,265
David Robbie	2	3.6512	08.03.11	nil	08.03.14	251,982	–	217,712	34,270	–
	3	4.1930	15.03.12	nil	15.03.15	230,849	–	–	–	230,849
	3	5.2880	03.04.13	nil	03.04.16	188,464	–	–	–	188,464
	3	4.8740	02.04.14	nil	02.04.17	–	209,663	–	–	209,663
Total						671,295	209,663	217,712	34,270	628,976

1 The vesting date is subject to performance conditions being met at the relevant time.

2 The performance targets were measured over a three year period which commenced on 1 January 2011 and ended on 31 December 2013. The award vested at 86.4% on 8 March 2014 and the shares were released on 10 March 2014, being the first business day. The market value of the award on this date, including the dividend equivalent of 43.3 pence per vested share was £4.912633 per share resulting in a gain of £1.88m for Graham Chipchase and £1.16m for David Robbie.

3 The awards are subject to the performance measures shown on page 77, measured over a three year period which commenced on 1 January in the year of grant. The measurement period for the awards granted in 2012 ended on 31 December 2014.

Savings Related Share Option Scheme (SAYE)

Executive directors held the following options over shares through the SAYE. The number of shares which the participant is entitled to buy when the exercise period commences is shown in the 'outstanding' column of the table.

	notes	Grant date	Exercise price per share £	Vesting date	Expiry date	Outstanding 01.01.14 number	Granted during the year number	Exercised during the year number	Lapsed during the year number	Outstanding 31.12.14 number
Graham Chipchase	1	15.10.09	2.12	01.12.14	31.05.15	7,334	–	7,334	–	–
		09.09.14	4.05	01.12.17		–	2,222	–	–	2,222
Total						7,334	2,222	7,334	–	2,222
David Robbie	1	15.10.09	2.12	01.12.14	31.05.15	7,334	–	7,334	–	–
		09.09.14	4.05	01.12.17		–	2,222	–	–	2,222
Total						7,334	2,222	7,334	–	2,222

1 The savings contract reached its maturity date on 1 December 2014 and the option was exercised on the same day. The market value of the option on 1 December 2014 was £4.4775 per share resulting in a gain of £17,290 for Graham Chipchase and £17,290 for David Robbie.

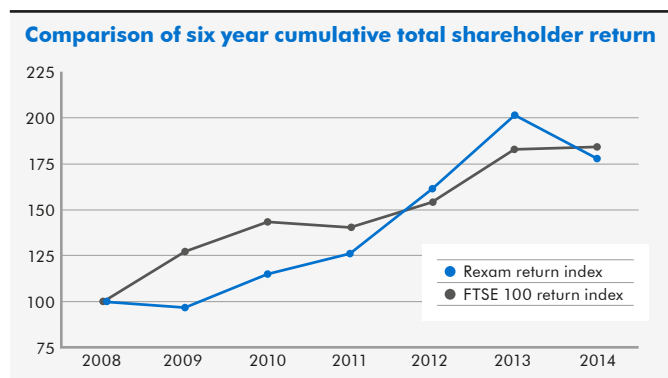
ANNUAL REMUNERATION REPORT 2014 CONTINUED

During the year, the Company remained within the issued share capital headroom limits as set out in the rules of its share incentive arrangements for the issue of new shares.

Headroom limits	% of issued share capital as at 31.12.14	% of issued share capital as at 31.12.13
5% in 10 years for executive share schemes	0.4	0.4
10% in 10 years for all of the Company's share schemes	0.8	0.7

Review of performance

The following graph charts the Total Shareholder Return of the Company and the FTSE 100 Index over the six year period from 31 December 2008 to 31 December 2014. The FTSE 100 was selected as the Company was a constituent member until September 2014 and it is considered to be the most appropriate broad equity market index against which the Company's performance should be measured. The graph shows the value at each year end to 31 December 2014, assuming that dividends have been reinvested, of £100 invested in Rexam shares on 31 December 2008 compared with the value of £100 invested over the same period in the FTSE 100 share index. The Rexam share price for the period preceding the rights issue in 2009 has been adjusted for the bonus element inherent in that rights issue. Total shareholder return reflected in the graph is not an indication of the likely vesting of awards granted under the LTIP which is based on a different comparator group, as explained on page 76.



Since the beginning of 2010, when we set out our strategy to focus on managing costs, optimising cash and improving our return on capital employed, the Rexam cumulative total shareholder return has been 84%, compared with the FTSE 100 return of 45%.

Chief executive total remuneration 2009 to 2014

	2009 ¹	2010	2011	2012 ²	2013 ³	2014 ⁴
Chief executive single figure of remuneration (£000)	1,622	1,703	1,911	4,731	3,472	2,993
Short term incentive award received against maximum opportunity %	69	100	71	78	28	68
Long term incentive award received against maximum opportunity %	–	–	–	94	86	44

¹ Leslie Van de Walle retired as chief executive on 31 December 2009 and Graham Chipchase was appointed as chief executive on 1 January 2010.

² The value of the 2010 LTIP award is reflected in the chief executive's single total figure remuneration for 2012.

³ The value of the 2011 LTIP award is reflected in the chief executive's single total figure remuneration for 2013.

⁴ The estimated value of the 2012 LTIP award is reflected in the chief executive's single total figure remuneration for 2014.

Percentage change in chief executive remuneration

The table below shows the percentage change in the chief executive's remuneration between 2013 and 2014 compared with the average percentage change in remuneration for all other UK salaried employees. As the chief executive is based in the UK, it is considered that the UK salaried employees provide an appropriate comparator group.

	Chief executive	UK salaried employees
	Change %	Change %
Salary	2	2
Taxable benefits	20	(4)
Annual incentive payable ¹	149	149
Total	51	13

1 In 2013 the Committee reviewed the annual incentive outcomes and taking the actual profit performance compared with the original target, the Committee reduced the annual incentive payment for the executive directors, including the chief executive, to 50% of base salary. Had he been paid the calculated outcome, the percentage change would reduce to 78%.

Relative importance of spend on pay

The table below shows the total pay for all of Rexam's employees in continuing operations compared to other key financial indicators such as shareholder distributions (ie dividends and share buybacks), sales and profit before tax for continuing operations for the financial years ended 31 December 2013 and 31 December 2014, along with the percentage change between each.

	Year ended 31 December 2014	Year ended 31 December 2013	Change %
Employee remuneration (£m) ¹	483	494	(2)
Distribution to shareholders:			
Dividends paid (£m)	133	125	6
Return of cash (£m)	450	393	15
Total shareholder distributions	583	518	13
Average number of employees ^{1,2}	8,000	8,000	–
Sales (£m) ^{1,2}	3,832	3,943	(3)
Profit before tax (£m) ^{1,2}	343	339	1

1 Continuing operations.

2 The average number of employees, sales and profit before tax is included for context, the detail of which can be found in the consolidated financial statements in the annual report 2014.

COMMITTEE'S USE OF DISCRETION IN 2014

In accordance with the authority given by the approved remuneration policy, the Committee may exercise its discretion in certain circumstances as detailed on page 69. During 2014, the Committee has considered and approved the following.

Subject	Approval
Annual incentive plan	Approval to reduce David Robbie's annual incentive payout for 2014 following a period of medical absence.
Benefits	Approval to pay a proportion of the medical expenses incurred during David Robbie's medical absence.

ANNUAL REMUNERATION REPORT 2014 CONTINUED

IMPLEMENTATION OF REMUNERATION POLICY IN 2015

Base salary

For 2015, the executive directors and the Committee agreed that no change be made to the base salary for the executive directors.

Executive director	Base salary 01.05.15	Base salary 01.05.14	Percentage increase
Graham Chipchase	£784,380	£784,380	0%
David Robbie	£473,790	£473,790	0%

Retirement benefits

Executive directors will continue to receive a cash supplement of 44% on salary not elected to be pensioned which has been actuarially calculated and is the value of providing the benefit accrual to the member through the Rexam Pension Plan.

Annual incentive

For 2015 the Committee approved a maximum annual incentive opportunity for executive directors of 180% of base salary; this is unchanged from the opportunity in 2013 and 2014. In addition, 25% of any annual incentive earned will be received as a deferred award over Rexam shares, with no further performance conditions save that such shares must be held for a period of not less than three years and the 2015 awards will be subject to the new malus and clawback policy. The following performance conditions will apply, with focus on growth through personal objectives.

Performance measure	Weighting	Targets
Underlying profit before tax	50%	The actual profit and cash targets are considered commercially sensitive as they are linked to annual projections for 2015. Achievement against targets will be disclosed in the directors' remuneration report 2015.
Cash: free cash flow	30%	
Growth related personal objectives (eg revenue growth or market share) and other personal objectives	20%	

Long term incentives

LTIP awards to be granted in 2015 will be calculated on 220% of base salary at the date of grant and will be based on the same mix of performance measures as in 2014. The 2015 award will again focus on EPS, with a ROCE underpin, and TSR. The EPS range for the LTIP 2014 award was a target range of 5%–12%. The proposed targets for the LTIP 2015 award are as shown in the table below. The 2015 awards will be subject to the new malus and clawback policy.

Performance measure	Weighting	Targets
Earnings per Share (EPS) growth CAGR of EPS from 2015 to 2017	75%	Threshold (vesting 25%): 3% pa growth Maximum: 11% pa growth Vesting for performance between threshold and maximum is calculated on a straight line basis. Will only pay out if three year average ROCE (2015–2017) is at or above 12% (and above the three year average cost of capital).
Relative total shareholder return (TSR) Rexam three year TSR compared with the three year TSR of the largest 150 companies (excluding investment trusts) by market capitalisation within the FTSE All Share Index	25%	Threshold (vesting 25%): median Maximum: upper quartile Vesting for performance between threshold and maximum is calculated on a straight line basis.

Non executive director fees

The fee basis for 2015 remains the same as in 2014.

Role	Annual fee
Chairman	£320,000
Non executive director base fee	£55,000
Senior independent director fee	£15,000
Chair of board committee fee	£15,000

REMUNERATION COMMITTEE

Remuneration Committee membership 2014

The board has approved the terms of reference delegating certain responsibilities to the Committee. The terms of reference are reviewed annually and are available on the Company's website.

The members of the Committee during 2014 were all independent non executive directors.

Committee membership	Attendance ¹
Jean-Pierre Rodier (Committee chairman until retirement on 2 May 2014)	1/1
Ros Rivaz (Committee chair from 2 May 2014)	4/4
John Langston	4/4
Johanna Waterous	4/4

1 Number of scheduled meetings attended/maximum number of meetings that the director could have attended.

The Committee invites the chairman of the Company to attend its meetings and normally also invites Graham Chipchase, the chief executive, Nikki Rolfe, the Group director human resources, and Kate Grant, the Group rewards director. David Gibson, the company secretary, attends in his capacity as secretary to the Committee and as Group general counsel. No invitee attends the part of the meeting where his or her own remuneration is being discussed. Other directors and senior managers are invited to attend meetings where their expertise is requested by the Committee for specific agenda items.

Remuneration Committee areas of focus 2014

Strategy and policy	Directors' remuneration report, implementation and governance, Committee evaluation.
Executive directors and ELT	Salary reviews, personal performance objectives and achievement.
Annual incentives	Assess performance, consider achievement against targets for 2013 annual incentive and 2014 payments, agree measures and targets for annual incentive 2014. For deferred bonus plan, review of policy, grant of awards. Review of malus and clawback arrangements. Approval of formal annual incentive plan rules.
Long term incentives	For LTIP, vesting of 2011 LTIP award, general parameters and measures and targets for 2014 LTIP awards, review of achievement to date against targets for 2012 LTIP and 2013 LTIP awards, amendments to incentive plan rules; and grant of awards/options.
Other items	Chairman's fees, review minimum shareholding requirements, review of remuneration package for ELT member on country relocation, termination arrangements and other general matters.

Advisors

Kepler Associates (Kepler) is the independent remuneration consultant to the Committee and, following a market review, was appointed by the Company in 2010 to provide executive remuneration advice and market data for salaries and incentive programmes. Representatives of Kepler attended Committee meetings when requested to do so and provided advice to the Committee on remuneration policy and implementation, compliance with regulations and remuneration benchmarking during the financial year. The Committee considered the relationship with Kepler and is satisfied that Kepler provides independent and objective advice to the Committee. Consultancy fees of £75,646 were paid to Kepler based on time and materials during 2014 in respect of their support to the Committee. Kepler also advised Rexam human resources on a number of below board remuneration subjects, but provided no non remuneration services to the Company.

Aon Hewitt Limited provided retirement benefits advice to the Committee when requested and, in addition to their services to the Committee, they provide pension consultancy and retirement benefits accounting advice to the Group. No consultancy fees were paid to Aon Hewitt during 2014 in respect of services to the Committee.

Allen & Overy LLP provides legal advice on employment, incentives and retirement benefits matters to the Committee and is also the Group's principal UK legal advisor. Brodies LLP provides legal advice on the operation of cash and share incentive schemes.

Summary of shareholders' votes

Results of the advisory vote on the directors' remuneration report 2013 at the AGM 2014.

Vote	Number of votes	% of votes cast (excluding withheld votes)	% of votes cast (including withheld votes)
For	534,150,590	98.44	97.73
Against	8,473,383	1.56	1.55
Votes withheld	3,934,297	–	0.72
Total	546,558,270	100.00	100.00

Results of the vote on the remuneration policy approved at the AGM 2014.

Vote	Number of votes	% of votes cast (excluding withheld votes)	% of votes cast (including withheld votes)
For	522,639,701	97.11	95.62
Against	15,548,818	2.89	2.85
Votes withheld	8,369,751	–	1.53
Total	546,558,270	100.00	100.00

On behalf of the board

Ros Rivaz

Remuneration Committee chair

12 March 2015

DIRECTORS' REPORT

The directors present their report for the financial year ended 31 December 2014.

The annual report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents and advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This annual report may contain 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 annual report 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 annual report and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this annual report should be construed as a profit forecast.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The current directors of the Company are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, and responsible for the maintenance and integrity of the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the current directors, whose names are listed on pages 48 and 49 of the annual report, confirms that, to the best of his or her knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

DIVIDENDS

Subject to shareholder approval, the directors have proposed a 2014 final dividend of 11.9p per share. The total dividend for the year ended 31 December 2014 is 17.7p per share (2013: 17.4p).

	Dividend per share (p)	Ex dividend date	Record date	Payment date
2014 interim	5.8	20.08.14	22.08.14	18.09.14
2014 final	11.9	30.04.15	01.05.15	27.05.15

PRINCIPAL ACQUISITIONS AND DISPOSALS

As reported in the annual report 2013, Rexam announced on 3 February 2014 the proposed sale of the pharmaceutical devices and prescription retail packaging divisions of its Healthcare business to Montagu Private Equity for US\$805m in cash. The transaction completed in May 2014.

On 24 March 2014, Rexam announced the proposed sale of the remaining containers and closures division of its Healthcare business to Berry Plastics Group Inc for US\$135m in cash. The transaction completed in June 2014.

POST BALANCE SHEET EVENTS

As reported in the annual report 2013, Rexam announced on 13 February 2014 that it has signed an agreement to acquire a 51% controlling interest in United Arab Can Manufacturing Limited, a Saudi Arabian beverage can maker for US\$122m. The transaction completed on 22 January 2015.

On 15 January 2015, Rexam announced that it had jointly, with Envases Universales de Mexico, acquired a 50% interest in Envases del Istmo SA, a single line beverage can plant in Colón, Panama.

On 19 February 2015, the Board recommended an offer received from Ball Corporation of 407p in cash and 0.04568 of a new Ball share, representing in aggregate 628p per Rexam ordinary share at that date.

DIRECTORS AND DIRECTORS' INTERESTS

The board of directors during the year ended 31 December 2014 and at the date of this annual report is set out on pages 48 and 49. Jean-Pierre Rodier retired from the board on 2 May 2014 and Carl-Peter Forster was appointed to the board on 10 June 2014, as discussed on page 54. There were no other changes to the board during 2014 and up until the date of this annual report.

None of the directors had any interest during or at the end of the year in any contract of significance in relation to the business of the Company or its subsidiary undertakings.

Full details of the interests in the share capital of the Company of those directors holding office on 31 December 2014, including any interest of a connected person, are set out in the remuneration report.

POWERS GIVEN TO DIRECTORS

The powers given to the directors are contained in the articles of association (the Articles) and are subject to relevant legislation and, in certain circumstances (including in relation to the issuing or buying back by the Company of its shares), subject to authority being given to the directors by shareholders in general meeting. The Articles also govern the appointment and replacement of directors. The Articles, which may only be amended with shareholders' approval in accordance with relevant legislation, can be found on our website.

SHARE CAPITAL

At 31 December 2014, the Company had 704,807,188 ordinary shares of 80¼p each and 2,065,516 unlisted non cumulative redeemable preference shares of 57p each in issue as shown in note 27 to the consolidated financial statements. Ordinary shares of 80¼p represent 99.71% of the shares in issue and the unlisted cumulative redeemable preference shares of 57p represent 0.29% of the shares in issue.

There are no restrictions on the transfer of the Company's ordinary shares other than certain restrictions which may be imposed by law, for example, insider trading law and the Company's share dealing code.

RETURN OF CASH AND SHARE CAPITAL CONSOLIDATION

At a General Meeting on 29 May 2014, shareholders approved a return of cash to shareholders of 57p per existing ordinary share by way of one new B share (being unlisted non cumulative redeemable preference shares of 57p each) or one new C share (being unlisted non cumulative redeemable preference shares of 0.0001p each) for each existing ordinary share. In addition, the return of cash was accompanied by a consolidation of the existing ordinary shares in the ratio of eight new ordinary shares for every nine existing ordinary shares held. On 9 June 2014 a dividend of 57p per share was paid on 475,873,869 C shares and these shares were reclassified as deferred shares and subsequently redeemed. On the same date 314,043,470 B shares were redeemed for 57p per share and cancelled. It is expected that the remaining 2,065,516 B shares will be redeemed for 57p per share on either 24 March or 7 April 2015 and thereafter cancelled. Further details can be found in note 27 to the consolidated financial statements and on our website.

RESEARCH AND DEVELOPMENT

The Group's expenditure on research and development during the year amounted to £5m from continuing operations and £2m from discontinued operations (2013: £6m continuing and £3m discontinued). The research commissioned by the innovation board into three broad areas of activity; our pack of the future programme, core process initiatives from new technologies and our plant of the future programme continues to progress. Further details can be found on pages 9 and 10.

PURCHASE OF OWN SHARES

At the AGM 2014, shareholders passed a special resolution in accordance with the Companies Act 2006 and relevant institutional guidelines, to authorise the Company to purchase, should it wish to do so, a maximum of 79.1m shares in the market. This authority was renewed at the General Meeting held on 29 May 2014 to approve the return of cash and share consolidation and the Company is currently authorised to purchase a maximum of 70.398m shares in the market.

No shares were purchased in the market using this renewed authority, nor has any contract been made to purchase shares under the previous or existing authorities from 1 January 2014 to the date of this report. The directors are seeking a renewal of the authority at the AGM 2015. Further details can be found in the notice of AGM 2015.

Share purchase authority	AGM 2014	GM 2014	AGM 2015
	approved then superseded	approved	proposed
10% of issued shares	79.1m	70.398m	70.4m

SUBSTANTIAL SHAREHOLDINGS

In accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, the Company was advised of the following significant direct and indirect interests in the issued ordinary share capital of the Company as at 31 December 2014 and the date of this report.

Name of shareholder	Number of shares disclosed	% interest in issued share capital
BlackRock Inc	35,310,441	5.01
Lazard Asset Management LLC	33,779,386	4.79

Information provided to the Company pursuant to the DTR is publicly available via the regulatory information services and on the Company's website.

GREENHOUSE GAS EMISSIONS

Rexam total greenhouse gas emissions were 680,361 tonnes of carbon dioxide equivalent (CO₂e) as shown in the table below. This includes material emissions from natural gas and electricity used to convert metal sheet into cans which comprises approximately 98% of our total emissions. Minor sources such as propane and diesel for forklift trucks and from our offices have been excluded from our calculation. The reporting period for the greenhouse gas emissions is the full year 2014. Rexam reports and tracks over time its carbon intensity as a business KPI, as shown on page 31.

Rexam greenhouse gas emissions (tonnes CO₂e)

GHG emissions by		Tonnes CO ₂ e 2014	Tonnes CO ₂ e 2013
Scope			
Combustion of fuel and operation of facilities	Scope 1	240,499	217,841
Electricity, heat, steam and cooling purchased for own use	Scope 2	439,862	473,007

- 1 Emissions are calculated using the Greenhouse Gas Protocol Corporate Standard and UK government guidelines for conversion of grid electricity based on DEFRA guidelines and conversion factors.
- 2 The data reported here is verified internally.
- 3 We report our emissions data using an operational control approach to define our organisational boundary which meets the definitional requirements of the regulations in respect of those emissions for which we are responsible.
- 4 2013 emissions restated to reflect improved data consistency.

SIGNIFICANT AGREEMENTS

The Company is required to disclose any significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid. Some commercial agreements allow the counterparties to alter or terminate the arrangements in these circumstances. The Company also has committed debt facilities all of which are directly or indirectly subject to change of control provisions, albeit the facilities do not necessarily require mandatory prepayment on a change of control.

DIRECTORS' REPORT

CONTINUED

At 31 December 2014 the debt facilities subject to these provisions were:

Debt facilities ¹	Amount	Maturity
Subordinated bond	€750m	June 2067
US private placement	US\$175m	December 2024
US private placement	US\$395m	December 2022
US private placement	US\$150m	December 2022
US private placement	€25m	December 2022
Revolving credit facility ²	£602m	November 2018
Bilateral credit facility ²	£45m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility ²	£20m	November 2018
Bilateral credit facility	£10m	January 2016
GBP bilateral credit facility	£250m	May 2015

1 All of the bilateral credit facilities and the revolving credit facility are multi currency other than the £250m GBP bilateral credit facility.

2 Effective 5 January 2015, the facilities have been extended to December 2019 with an option to further extend the final maturity date to 22 December 2021, subject to the agreement of the bank(s).

The service contracts of the executive directors do not contain a change of control provision.

The trustee of the Rexam Employee Share Trust (the Trust) holds shares in order to satisfy awards under the Rexam employee share incentive plans. If an offer is made to acquire the Company's shares, the trustee is not obliged to accept or reject any such offer in respect of any shares which are intended to satisfy awards which are outstanding. However, the trustee shall have regard to the interests of the beneficiaries and shall have the power to consult them to obtain their views on such offer and, subject to the foregoing, may consider any recommendations made to it by the Company but shall not be obliged to comply with such recommendations.

INDEMNITIES

The Company granted indemnities to Stuart Chambers, Carl-Peter Forster, Leo Oosterveer, Ros Rivaz and Johanna Waterous, and on their appointments to the board. The indemnities relate to certain losses and liabilities which they may incur in the course of their duties and are in force as at the date of this report. Similar indemnities will be offered to any new directors joining the board. Insurance cover also remains in place to protect all directors and senior management in the event of a claim being brought against them in their capacity as directors or officers of the Company and its subsidiaries.

The Company has granted a qualifying pension scheme indemnity in the form permitted by the Companies Act 2006, to the directors of Rexam Pension Trustees Limited, the Trustee to the Rexam Pension Plan. The indemnity remains in force at the date of this report.

BRANCH OFFICE

The Company, through one of its UK subsidiary companies, has a branch office in Dubai for its Beverage Can Africa, Middle East & Asia sector. Further details relating to this sector can be found on page 13 of the annual report.

CORPORATE GOVERNANCE STATEMENT

The information that fulfils the requirements of the corporate governance statement in accordance with rule 7.2 of the DTR can be found in this directors' report and in the corporate governance information on pages 47 to 83 which is incorporated into this directors' report by reference.

FINANCIAL INSTRUMENTS

The information relating to the Group's financial assets and its financial risk management can be found in note 24 to the consolidated financial statements.

DISCLOSURE OF INFORMATION UNDER LR 9.8.4R

The information that fulfils the reporting requirements can be found in this directors' report, the directors' remuneration report and on the pages identified below.

Subject matter	Page reference
Allotment of shares for cash pursuant to the Rexam employee share incentive arrangements	137

INFORMATION INCLUDED IN STRATEGIC REPORT

The information that fulfils the reporting requirements relating to the following matters can be found on the pages identified.

Subject matter	Page reference
Events since financial year end	8 and 9
Likely future developments	15
Employment of disabled persons	29
Employee engagement	29

AUDITORS

Disclosure of information to the auditors

Each person who is a director of the Company at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director individually has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of auditors

As disclosed on page 61, the audit and risk committee has considered the role and performance of PricewaterhouseCoopers LLP as the Company's auditors. After such consideration, the audit and risk committee has recommended that PricewaterhouseCoopers LLP be proposed for reappointment at the AGM 2015.

ANNUAL GENERAL MEETING 2015

The AGM of the Company, details of which can be found in the notice of AGM 2015, will be held at 2.30pm on 28 April 2015 at Church House, Dean's Yard, London SW1. The notice of AGM 2015 is available on the Company's website www.rexam.com. The directors consider that each of the resolutions to be proposed at the AGM 2015 is in the best interests of the Company and the shareholders as a whole and recommend that shareholders vote in favour of all of the resolutions. Shareholders may vote in person at the AGM 2015 or by proxy (the deadline for proxy votes to be received is 2.30pm on 24 April 2015).

On behalf of the board

David Gibson
Company secretary

12 March 2015

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements:

Independent auditors' report to the members of Rexam PLC	88
Consolidated income statement	93
Consolidated statement of comprehensive income	94
Consolidated balance sheet	95
Consolidated cash flow statement	96
Consolidated statement of changes in equity	97

Notes to the consolidated financial statements:

Note 1 Principal accounting policies	99
Note 2 Segment analysis	105
Note 3 Operating expenses	107
Note 4 Employee costs and numbers	108
Note 5 Auditors' remuneration	109
Note 6 Exceptional items from continuing operations	109
Note 7 Interest	110
Note 8 Tax	111
Note 9 Earnings/(loss) per share	113
Note 10 Discontinued operations	114
Note 11 Equity dividends	115
Note 12 Goodwill	115
Note 13 Other intangible assets	117
Note 14 Property, plant and equipment	118
Note 15 Investments in subsidiaries	119
Note 16 Investments in associates and joint ventures	119
Note 17 Insurance backed assets	120
Note 18 Inventories	120
Note 19 Trade and other receivables	121
Note 20 Cash and cash equivalents	122
Note 21 Trade and other payables	123
Note 22 Borrowings	123
Note 23 Net borrowings	124
Note 24 Financial instruments	125
Note 25 Retirement benefit obligations	132
Note 26 Provisions	137
Note 27 Share capital	137
Note 28 Other reserves	138
Note 29 Share based payment	139
Note 30 Reconciliation of profit/(loss) before tax to cash generated from operations	141
Note 31 Contingent liabilities	141
Note 32 Commitments	141
Note 33 Post balance sheet events	141

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REXAM PLC

OUR OPINION

In our opinion, Rexam PLC's consolidated financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

Rexam PLC's financial statements comprise:


- the consolidated balance sheet as at 31 December 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of principal accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

OUR AUDIT APPROACH

Overview



- Overall Group materiality: £18 million which represents 5% of profit before tax adjusted for exceptional items, amortisation of certain acquired intangible assets, and the fair value changes on certain operating derivatives.
- We conducted audit work over the complete financial information of all four sectors, Beverage Cans Europe, Beverage Cans North America, Beverage Cans South America, Beverage Cans Africa Middle East & Asia and the Group head office.
- In addition we carried out specific audit procedures at the Group's service centre in Charlotte and over the accounting for the Group's disposal of Healthcare.
- The components that are part of our audit scope, as set out above, account for 100% of Group revenues and 100% of Group profit before tax, exceptional items, amortisation of intangible assets, and the fair value adjustment on derivatives.

We focused on the following areas:

- Significant contracts entered into by the Group
- Goodwill impairment assessment
- Provision for tax exposures

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Significant contracts entered into by the Group	
Refer to page 57 (Audit & Risk Committee Report) and page 99 (Principal Accounting Policies).	We tested the Group's process for approving significant contracts including reviewing board papers approving significant new customer and supplier contracts.
The Group's businesses model contains an increasingly consolidated customer and supplier base. The Group enters into long-term contracts with both customers and suppliers, sometimes on a global basis. We focused on these contracts as they underpin a significant portion of the Group's revenues and costs.	We examined significant new contracts, in particular those whose terms became effective in 2014, thereby triggering accounting in the financial statements for the year, and discussed the terms of the contracts with the Directors.
The nature of contracts entered into includes a number of characteristics that require judgement to be applied in determining the appropriate accounting based on the contractual terms.	We performed procedures to test whether up front payments received from suppliers or made to customers were recognised in the income statement in accordance with the nature of the payment and in the proper period, based on:
Our audit procedures focused, in particular, on the following contractual judgements:	<ul style="list-style-type: none"> evaluating the contract terms and when those terms become effective; and the nature of the payment and the prevailing accounting guidance.
<ul style="list-style-type: none"> the accounting for up-front payments including the nature of the payment (new contract or extension of an existing contract) and the appropriate amortisation period over which the payment is recognised; the calculation of annual customer rebates including whether contractual volume targets and other criteria for payment/receipt have been met; the application of contractual take or pay obligations in both supplier and customer contracts, in particular assumptions over whether contractual commitments have given rise to any onerous supply contracts and any revenue due from customers based on agreed contract minimums; and the identification and treatment of embedded derivatives within the contracts based on pricing terms and expected contract cash flows, and whether such derivatives have been accounted for separately in accordance with applicable accounting requirements. 	We tested the calculation of customer rebates by checking volumes used in the calculation of the rebate to actual volumes and against any other obligations set out in the relevant contract terms and concluded all amounts were accurately based on actual volumes.
We undertake these procedures to ensure that revenue and costs arising from these contracts are recognised in the correct period.	With respect to take or pay obligations present in both supplier and customer contracts, we tested the volumes purchased and sold and concluded that there are no onerous supply contracts and any revenue from customers based on contract minimums was appropriately earned.
Goodwill impairment assessment	
Refer to page 57 (Audit & Risk Committee Report), page 99 (Principal Accounting Policies) and page 115 (notes).	We evaluated and challenged the Directors' future cash flow forecasts used to assess the carrying value of goodwill with particular focus on Turkey, Egypt, Russia and Brazil. This included understanding the process by which they were drawn up and comparing them to the latest Board approved three-year plans and which we found to be consistent. We also tested the mechanics of the underlying value in use calculations.
The carrying value of goodwill at 31 December 2014 is £1,218 million.	We tested management's budgeting accuracy in respect of budgeted profit for the 2014 year end for evidence of the reliability of the Group's budgeting process and where differences were noted we understood the drivers and included this within our sensitivity analysis.
In determining whether there was a risk of impairment we focused on the estimated values in use in the following territories (each representing a cash generating unit); Turkey (£38 million goodwill), Egypt (£28 million goodwill), Russia (£23 million goodwill) and Brazil (£194 million goodwill) as these territories are considered to be those where there is a heightened risk of political or economic volatility and hence the calculation of the value in use for these businesses requires management to apply an increased level of judgement.	We challenged the Directors' key assumptions for the long-term growth rates and the discount rates in the cash flow forecasts comparing against our own independently determined acceptable ranges and where differences were identified these did not change the conclusion for any of the territories.
In particular we focused on the impact of key assumptions around:	We performed sensitivity analysis over the forecast cash flows by considering the status of global bids, commercial performance of major customers, and comparing growth targets against historic performance and market data. Given the risk of volatility we ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill in these businesses to be impaired. We considered the likelihood of such a movement in those assumptions arising, noting no such reasonably likely scenario. We also evaluated the adequacy of the disclosures made regarding the assumptions.
<ul style="list-style-type: none"> The cash flow forecasts derived from internal forecasts and the assumptions around performance of new contracts and major customers. The discount rate and the long term growth rate including the assessment of risk factors and growth expectations of the relevant territory. 	
The key assumptions for these businesses are set out in note 12.	

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REXAM PLC CONTINUED

Provision for tax exposures

Refer to page 57 (Audit & Risk Committee Report), page 99 (Principal Accounting Policies) and page 111 (notes).

The Group operates in a number of territories and recognises tax provisions based on interpretation of local laws and regulations which are sometimes uncertain.

The Group has established provisions against uncertain tax positions, particularly in Brazil, Russia, the US and the UK. These provisions require director judgement in estimating the potential outcome, including magnitude.

We involved our teams in the relevant jurisdictions who have knowledge of the local tax law, including any updates to, and developments in, the application of those laws, to understand the extent of the exposure arising from the Group's arrangements and the rationale for existing provisions held. Where relevant we also considered the history of past experience of the accuracy of the directors' estimates of potential exposures, by comparing to actual settlements and found the current provisioning to be consistent with that experience.

We considered the views of the Group's external advisers on these matters where appropriate.

We met with senior management and challenged the judgements specific to each exposure and jurisdiction and evaluated the appropriateness of the provisions made and found the directors' estimates to be reasonable based on the correspondence and other information obtained.

How we approached the audit scope

In identifying these areas of focus and in ensuring that we performed enough work to be able to give an opinion on the financial statements as a whole, we took into account: the geographic structure of the Group; the accounting processes and controls; and the industry in which the Group operates, and tailored the scope of our audit accordingly.

The Group's accounting process is structured around a local finance function in each of the 53 Beverage Can plants, (including one associate and one joint venture), which report into a centralised finance function for each of the four geographical sectors in which the Group operates. The service centre in Charlotte carries out transaction processing for Beverage Cans North America and reports to the Group finance team. The sectors and the service centre maintain their own accounting records and controls and report to the Group finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of each of the sectors. In each geographical sector we used PwC component auditors to audit and report on the aggregated financial information of that sector. Those teams, with our involvement, determined the individual Beverage Can plants within that sector to be audited based on their individual financial significance to the sector and Group. In relation to the Charlotte shared service centre we instructed specified audit procedures to be performed over the balances and transactions processed in that location that were material to the Group.

Where the work was performed by component auditors, under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. In the current year the Group team engagement leader visited three sector finance functions to obtain an understanding of the local environment and any audit risks arising.

The Healthcare business, which was a separate sector in the prior year, was disposed during the year with the disposal accounting carried out by the UK Group finance team. The UK Group engagement team carried out all audit procedures over the Healthcare disposal.

The Group consolidation, financial statement disclosures and financial statement items accounted for centrally, including derivative financial instruments, hedge accounting, goodwill impairment, and share based payments were also audited by the Group engagement team at the head office.

The components that are part of our audit scope as set out above account for 100% of Group revenues and 100% of Group profit before tax, exceptional items, amortisation of intangible assets, and the fair value adjustment on derivatives.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£18 million (2013: £20 million)
How we determined it	5% of profit before tax, adjusted for exceptional items, amortisation of certain acquired intangible assets, and the fair value changes on certain operating derivatives
Rationale for benchmark applied	We believe that profit before tax is the key measure used by the shareholders as a body in assessing the Group's performance. We consider that excluding exceptional items, amortisation of intangible assets, and the fair value adjustment on derivatives is appropriate as this provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (2013: £1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 62, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinions

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> Information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the statement given by the directors on page 84, in accordance with Code Provision C.1.1, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. 	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> the section of the Annual Report on pages 57 to 62, as required by Code Provision C.3.8, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REXAM PLC CONTINUED

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 84, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OTHER MATTER

We have reported separately on the parent company financial statements of Rexam PLC for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	notes	2014 £m	2013 £m
<i>Continuing operations</i>			
Sales	2	3,832	3,943
Operating expenses	3	(3,430)	(3,526)
Underlying operating profit	2	418	449
Exceptional items	6	(20)	(6)
Amortisation of certain acquired intangible assets		(1)	(2)
Fair value changes on certain operating derivatives		5	(24)
Operating profit		402	417
Share of post tax profits of associates and joint ventures	16	10	9
Retirement benefit obligations net interest cost	25	(16)	(16)
Underlying interest expense	7	(59)	(76)
Fair value changes on financing derivatives	7	(1)	(1)
Interest expense	7	(60)	(77)
Interest income	7	7	6
Underlying profit before tax		360	372
Exceptional items		(20)	(6)
Amortisation of certain acquired intangible assets		(1)	(2)
Fair value changes on derivatives		4	(25)
Profit before tax		343	339
Tax on underlying profit	8	(86)	(93)
Tax on exceptional items	6/8	11	1
Tax on fair value changes on derivatives	8	(1)	6
Tax		(76)	(86)
Profit for the financial year from continuing operations		267	253
<i>Discontinued operations</i>			
Profit/(loss) for the financial year from discontinued operations	10	90	(158)
Total profit for the financial year attributable to equity shareholders of Rexam PLC		357	95
Underlying earnings per share (pence)	9		
Continuing operations		37.2	35.3
Discontinued operations		2.0	5.3
Total		39.2	40.6
Basic earnings/(loss) per share (pence)	9		
Continuing operations		36.2	32.0
Discontinued operations		12.2	(20.0)
Total		48.4	12.0
Diluted earnings/(loss) per share (pence)	9		
Continuing operations		35.9	31.6
Discontinued operations		12.1	(20.0)
Total		48.0	11.6

For details of equity dividends paid and proposed see note 11 to the consolidated financial statements.

The notes on pages 99 to 141 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	notes	2014 £m	2013 £m
Profit for the financial year attributable to equity shareholders of Rexam PLC		357	95
Other comprehensive (loss)/income for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
Retirement benefits: actuarial gains	17/25	30	74
Retirement benefits: tax on actuarial gains	8	4	(26)
Total items that will not be reclassified to profit or loss		34	48
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences before recognition of net investment hedges	28	(99)	(37)
Net investment hedges recognised	28	(5)	(1)
Exchange differences recognised in the income statement on the disposal of Healthcare	28	(152)	–
Cash flow hedges recognised	28	(27)	(45)
Cash flow hedges transferred to inventory	28	12	54
Cash flow hedges transferred to the income statement	28	7	(7)
Cash flow hedges transferred to property, plant and equipment	28	–	(1)
Tax on cash flow hedges	8/28	(2)	(1)
Total items that may be reclassified to profit or loss		(266)	(38)
Total other comprehensive (loss)/income for the year		(232)	10
Total comprehensive income for the financial year attributable to equity shareholders of Rexam PLC		125	105
Continuing operations		203	272
Discontinued operations		(78)	(167)
Total comprehensive income for the financial year attributable to equity shareholders of Rexam PLC		125	105

CONSOLIDATED BALANCE SHEET

As at 31 December	notes	2014 £m	2013 £m
Assets			
Non current assets			
Goodwill	12	1,218	1,232
Other intangible assets	13	26	34
Property, plant and equipment	14	1,275	1,257
Investments in associates and joint ventures	16	80	76
Pension assets	25	89	–
Insurance backed assets	17	23	20
Deferred tax assets	8	210	270
Trade and other receivables	19	177	157
Derivative financial instruments	23/24	167	215
		3,265	3,261
Current assets			
Inventories	18	504	466
Insurance backed assets	17	2	2
Trade and other receivables	19	490	479
Derivative financial instruments	23/24	38	27
Cash and cash equivalents	20	288	211
		1,322	1,185
Assets classified as held for sale		–	693
		1,322	1,878
Total assets		4,587	5,139
Liabilities			
Current liabilities			
Borrowings	22	(292)	(299)
Derivative financial instruments	23/24	(42)	(39)
Current tax		(10)	(3)
Trade and other payables	21	(806)	(702)
Provisions	26	(18)	(28)
		(1,168)	(1,071)
Liabilities classified as held for sale		–	(160)
		(1,168)	(1,231)
Non current liabilities			
Borrowings	22	(1,124)	(1,181)
Derivative financial instruments	23/24	(161)	(142)
Retirement benefit obligations	25	(482)	(417)
Deferred tax liabilities	8	(40)	(54)
Non current tax		(55)	(78)
Other payables	21	(64)	(89)
Provisions	26	(79)	(78)
		(2,005)	(2,039)
Total liabilities		(3,173)	(3,270)
Net assets		1,414	1,869
Equity			
Ordinary share capital	27	567	566
Non equity B shares	27	1	–
Share premium account		424	602
Capital redemption reserve		925	746
Retained loss		(292)	(100)
Other reserves	28	(211)	55
Shareholders' equity		1,414	1,869

The consolidated financial statements on pages 93 to 141 were authorised for issue by the board of directors on 12 March 2015.

Graham Chipchase, chief executive David Robbie, finance director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	30	498	564
Interest paid		(52)	(78)
Tax paid		(63)	(77)
Net cash flows from operating activities		383	409
Cash flows from investing activities			
Capital expenditure		(211)	(232)
Proceeds from sale of property, plant and equipment		7	1
Disposal of businesses	10	457	(23)
Pension escrow investment payment	25	(15)	(15)
Loan from joint venture	16	7	–
Interest received		8	7
Other investing activities		(4)	–
Net cash flows from investing activities		249	(262)
Cash flows from financing activities			
Proceeds from borrowings	23	68	349
Repayment of borrowings	23	(34)	(1,050)
Return of cash to shareholders		(450)	(393)
Proceeds from issue of share capital on exercise of share options		3	6
Purchase of Rexam PLC shares by Employee Share Trust		(7)	(23)
Dividends paid to equity shareholders	11	(133)	(125)
Other financing items		5	14
Net cash flows from financing activities		(548)	(1,222)
Net increase/(decrease) in cash and cash equivalents		84	(1,075)
Cash and cash equivalents at the beginning of the year		191	1,249
Exchange differences and other non cash items		(4)	17
Net increase/(decrease) in cash and cash equivalents		84	(1,075)
Cash and cash equivalents at the end of the year		271	191
Cash and cash equivalents comprise:			
Cash at bank and in hand	20	116	66
Short term bank and money market deposits	20	172	145
Bank overdrafts	22	(17)	(20)
		271	191

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Non equity B shares £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Shareholders' equity £m
At 1 January 2014	566	–	602	746	(100)	55	1,869
Profit for the financial year	–	–	–	–	357	–	357
Retirement benefits: actuarial gains	–	–	–	–	30	–	30
Retirement benefits: tax on actuarial gains	–	–	–	–	4	–	4
Exchange differences before recognition of net investment hedges	–	–	–	–	–	(99)	(99)
Net investment hedges recognised	–	–	–	–	–	(5)	(5)
Exchange differences recognised on the disposal of Healthcare	–	–	–	–	–	(152)	(152)
Cash flow hedges recognised	–	–	–	–	–	(27)	(27)
Cash flow hedges transferred to inventory	–	–	–	–	–	12	12
Cash flow hedges transferred to the income statement	–	–	–	–	–	7	7
Tax on cash flow hedges	–	–	–	–	–	(2)	(2)
Total other comprehensive (loss)/income for the year	–	–	–	–	34	(266)	(232)
Total comprehensive income/(loss) for the year	–	–	–	–	391	(266)	125
Share options: proceeds from shares issued	1	–	2	–	–	–	3
Share options: value of services provided	–	–	–	–	7	–	7
Share options: dividend equivalent	–	–	–	–	(1)	–	(1)
Purchase of Rexam PLC shares by Employee Share Trust	–	–	–	–	(7)	–	(7)
Return of cash to shareholders	–	1	(180)	179	(449)	–	(449)
Dividends paid	–	–	–	–	(133)	–	(133)
Total transactions with owners recognised directly in equity	1	1	(178)	179	(583)	–	(580)
At 31 December 2014	567	1	424	925	(292)	(211)	1,414

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Other reserves £m	Shareholders' equity £m
At 1 January 2013	565	992	351	286	93	2,287
Profit for the financial year	–	–	–	95	–	95
Retirement benefits: actuarial gains	–	–	–	74	–	74
Retirement benefits: tax on actuarial gains	–	–	–	(26)	–	(26)
Exchange differences before recognition of net investment hedges	–	–	–	–	(37)	(37)
Net investment hedges recognised	–	–	–	–	(1)	(1)
Cash flow hedges recognised	–	–	–	–	(45)	(45)
Cash flow hedges transferred to inventory	–	–	–	–	54	54
Cash flow hedges transferred to property, plant and equipment	–	–	–	–	(1)	(1)
Cash flow hedges transferred to the income statement	–	–	–	–	(7)	(7)
Tax on cash flow hedges	–	–	–	–	(1)	(1)
Total other comprehensive income/(loss) for the year	–	–	–	48	(38)	10
Total comprehensive income/(loss) for the year	–	–	–	143	(38)	105
Share options: proceeds from shares issued	1	5	–	–	–	6
Share options: value of services provided	–	–	–	8	–	8
Share options: dividend equivalent	–	–	–	(1)	–	(1)
Share options: tax	–	–	–	5	–	5
Purchase of Rexam PLC shares by Employee Share Trust	–	–	–	(23)	–	(23)
Return of cash to shareholders	–	(395)	395	(393)	–	(393)
Dividends paid	–	–	–	(125)	–	(125)
Total transactions with owners recognised directly in equity	1	(390)	395	(529)	–	(523)
At 31 December 2013	566	602	746	(100)	55	1,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee interpretations as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments, share based payment and retirement benefit obligations.

In preparing the consolidated set of financial statements, the segment analysis has been restated to reflect the disclosure of two reportable segments for the Beverage Cans business, Americas and Europe & Rest of World. Previously only one reportable segment, Beverage Cans, was disclosed. The change was made to better reflect the markets in which the Group operates.

IFRS10 'Consolidated Financial Statements' has been adopted by the Group for the first time for the financial year beginning on 1 January 2014. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements. IFRS10 had no impact on the Group.

The following accounting standards are effective for accounting periods beginning after 1 January 2014 and have not yet been adopted by the Group.

- (i) IFRS9 'Financial Instruments'. The standard addresses the classification, measurement and recognition of financial assets and liabilities. The standard is effective for accounting periods beginning on or after 1 January 2018 and earlier adoption is permitted subject to EU endorsement. The Group has yet to assess the full impact of IFRS9.
- (ii) IFRS15 'Revenue from Contracts with Customers'. The standard addresses revenue recognition and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for accounting periods beginning on or after 1 January 2017 and earlier adoption is permitted subject to EU endorsement. The Group is currently assessing the impact of IFRS15.

There are no other IFRS's or IFRS Interpretation Committee interpretations not yet effective that would be expected to have an impact on the Group.

Going concern

The Group meets its working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements. Further information on the Group's borrowings is given in notes 22 and 23 to the consolidated financial statements.

Key estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates. The key estimates and assumptions used in these consolidated financial statements are set out below.

Goodwill impairment testing

Goodwill is tested at least annually for impairment in accordance with the accounting policy for goodwill. The recoverable amounts of cash generating units are determined based on value in use calculations. These calculations require the use of estimates which include cash flow projections for each cash generating unit and discount rates based on the Group's weighted average cost of capital, adjusted for specific risks associated with particular cash generating units. For details of impairment testing see note 12 to the consolidated financial statements. The accounting policies for goodwill and impairment testing are set out below.

Retirement benefits

The consolidated financial statements include costs in relation to, and provision for, retirement benefit obligations. There are two principal funded defined benefit pension plans, in the UK and US, and an unfunded retiree medical plan in the US. The costs and present value of any related pension assets and liabilities depend on factors such as life expectancy of the members, the salary progression of current employees, the returns that plan assets generate and the discount rate used to calculate the present value of the liabilities. The Group uses estimates based on previous experience and external actuarial advice in determining these future cash flows and the discount rate. The accounting policy for retirement benefit obligations is set out below. Details of the assumptions used for the two principal defined benefit pension plans and the retiree medical plan and sensitivities are set out in note 25 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Income taxes

Judgement is required in determining the provision for income taxes. There are many transactions and calculations whose ultimate tax treatment is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes are likely to be due. The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Where a change in circumstance occurs, or the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the year in which that change or outcome is known. The accounting policy for income taxes is set out below.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration, net of rebates and trade discounts. Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, typically on delivery of goods. The Group enters into long term contracts with both customers and suppliers. In certain cases the Group makes up front payments in relation to these contracts which are charged against sales in respect of customers, and operating expenses in respect of suppliers, over their useful economic lives, typically being the related contract term. In addition, the Group recognises any rebates receivable or payable in accordance with the terms of these long term contracts, which are typically volume based.

Basis of consolidation

The consolidated financial statements comprise Rexam PLC and all its subsidiaries, together with the Group's share of the results of its associates and joint ventures. The financial statements of subsidiaries, associates and joint ventures are prepared at the same reporting date using consistent accounting policies. Intercompany balances and transactions, including any unrealised profits arising from intercompany transactions, are eliminated in full.

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are included until the date on which the Group ceases to control them. Associates are entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control, whereby the strategic, financial and operating decisions relating to the venture require the unanimous consent of the parties sharing control and are generally accompanied by an equal 50% share of voting rights. Investments in associates and joint ventures are accounted for using the equity method. If the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

All acquisitions are accounted for by applying the purchase method. The cost of an acquisition is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured initially at fair value at the acquisition date, irrespective of the extent of any non controlling interests. The excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Foreign currencies

The financial statements for each of the Group's subsidiaries, associates and joint ventures are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised directly in the consolidated income statement. Exceptions to this are where the monetary items form part of the net investment in a foreign operation, designated as hedges of a net investment, or designated as cash flow hedges. Such exchange differences are initially recognised in equity.

The presentation currency of the Group is sterling. The balance sheets of foreign operations are translated into sterling using the exchange rate at the balance sheet date and the income statements are translated into sterling using the average exchange rate for the year. Where this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction date, the exchange rate on the transaction date is used. Exchange differences on translation into sterling arising since 1 January 2004 are recognised as a separate component of equity. On disposal of a subsidiary, any cumulative exchange differences held in equity are transferred to the consolidated income statement.

On the repayment of a quasi equity loan, the proportionate share of the cumulative amount of the exchange differences on the loan recognised in other comprehensive income is not reclassified to the consolidated income statement unless the Group loses control over the entity to which the quasi equity loan related.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

The principal exchange rates against sterling used in these consolidated financial statements are as follows:

	Average 2014	Closing 2014	Average 2013	Closing 2013
Euro	1.24	1.28	1.18	1.20
US dollar	1.65	1.56	1.56	1.65
Russian rouble	63.29	90.79	49.87	54.48

Exceptional items

Items which are exceptional, being material in terms of size and/or nature, are presented separately from underlying business performance in the consolidated income statement. The principal events which may give rise to 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, transaction costs relating to business combinations and significant litigation and tax claims.

Retirement benefit obligations

The Group operates defined benefit and defined contribution pension plans.

A defined benefit pension plan typically specifies the amount of pension benefit that an employee will receive on retirement, usually dependent upon one or more factors such as age, years of service and compensation. The Group operates both funded defined benefit pension plans, where actuarially determined payments are made to trustee administered funds, and unfunded defined benefit pension plans, where no such payments are made. The asset or liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation less, for funded schemes, the fair value of plan assets at the balance sheet date. The defined benefit obligation is calculated, at least triennially, by independent actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The current service cost and plan administration expenses are recognised as an operating expense in the consolidated income statement. Past service costs and credits are recognised immediately as an operating expense in the consolidated income statement. The retirement benefits net interest cost is the change during the year in the net defined benefit liability due to the passage of time and is recognised as an interest expense in the consolidated income statement. The interest rate is based on the yield on high quality corporate bonds. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in the consolidated statement of comprehensive income in the year in which they arise.

A defined contribution plan is one under which fixed contributions are paid to a third party. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in the consolidated income statement when they are due. Prepaid contributions are recognised in the consolidated balance sheet as an asset to the extent that a cash refund or a reduction in future payments is likely.

The Group also provides post retirement healthcare benefits (retiree medical) to certain of its current and former employees. The entitlement to these benefits is usually conditional on an employee remaining in service up to retirement age and the completion of a minimum service period. The consolidated income statement and consolidated balance sheet accounting treatment with respect to retiree medical is similar to that for defined benefit pension plans. These obligations are valued by independent actuaries, usually on an annual basis.

Share based payment

The Group operates equity and cash settled share option schemes. For equity settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the consolidated income statement, together with a corresponding increase in equity, on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Vesting conditions, which comprise service conditions and non market performance conditions, are not taken into account when estimating the fair value. All market and non vesting conditions are included in the fair value. For cash settled share options, the services received from employees are measured at the fair value of the liability and recognised in the consolidated income statement on a straight line basis over the vesting period. The fair value of the liability is measured at each balance sheet date and at the date of settlement with changes in fair value recognised in the consolidated income statement. The Rexam Employee Share Trust holds ordinary shares in Rexam PLC to satisfy future share option exercises, which are presented in the consolidated balance sheet as a deduction from equity.

Interest

Interest on cash and cash equivalents and borrowings held at amortised cost is recognised in the consolidated income statement using the effective interest method. Interest includes exchange differences arising on cash and cash equivalents and borrowings, where such exchange differences are recognised in the consolidated income statement. Interest includes all fair value gains and losses on derivative financial instruments, and corresponding adjustments to hedged items under designated fair value hedging relationships, where they relate to financing activities and are recognised in the consolidated income statement. Interest relating to payments made over an extended period of development of large capital projects is added to the capital cost and amortised over the expected lives of those projects.

Non hedge accounted financing derivative financial instruments fair value changes and hedge ineffectiveness on financing derivative financial instruments are disclosed separately, within interest, in the consolidated income statement.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive leadership team, which comprises the executive directors and certain senior executives. The executive leadership team is responsible for assessing the performance of the operating segments for the purpose of making decisions about resources to be allocated. Operating segments may be combined for external reporting purposes where they have similar economic characteristics, and the nature of products and production processes, the type and class of customers and the methods to distribute products are all similar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is tested for impairment at 31 December each year and at any time where there is any indication that goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses. At the date of acquisition, goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold. Goodwill arising on the acquisition of subsidiaries is presented in goodwill and goodwill arising on the acquisition of associates and joint ventures is presented in investments in associates and joint ventures. Internally generated goodwill is not recognised as an asset.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of the asset over its estimated useful life as follows:

Computer software acquired	2 to 3 years
Computer software developed	Up to 7 years
Customer contracts and relationships acquired	5 to 20 years
Technology and patents acquired	5 to 20 years
Other development projects	Up to 5 years

The cost of intangible assets acquired in an acquisition is the fair value at acquisition date. The cost of separately acquired intangible assets, including computer software, comprises the purchase price and any directly attributable costs of preparing the asset for use. Computer software development costs that are directly associated with the implementation of major business systems are capitalised as intangible assets. Expenditure on research is recognised as an expense in the consolidated income statement as incurred. Expenditure incurred on other development projects is capitalised as an intangible asset if it is probable that the expenditure will generate future economic benefits and can be measured reliably.

The amortisation of certain acquired intangible assets, comprising acquired customer contracts and relationships, and technology and patents, is disclosed separately within operating profit on the face of the consolidated income statement.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs. Freehold land and assets under construction are not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight line basis to allocate cost, less residual value of the assets, over their estimated useful lives as follows:

Freehold buildings	Up to 50 years
Leasehold buildings	Shorter of 50 years or lease term
Manufacturing machinery	7 to 17 years
Computer hardware	Up to 8 years
Fixtures, fittings and vehicles	4 to 10 years

Residual values and useful lives are reviewed at least at each financial year end.

Impairment of assets

This policy applies to all assets except inventories, insurance backed assets, deferred tax assets, financial assets and assets classified as held for sale. At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset (see also accounting policy for assets and liabilities classified as held for sale and discontinued operations below). If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation. When an asset is written down to its recoverable amount the impairment loss is recognised in the consolidated income statement in the year in which it is incurred. Impairment losses incurred in a cash generating unit or group of cash generating units are applied against the carrying amount of any goodwill allocated to the units. Where no goodwill exists, the impairment losses reduce the other non current assets of the cash generating units. Should circumstances change which result in a reversal of a previous impairment, the value of the asset is increased and the reversal is recognised in the consolidated income statement in the year in which it occurs. The increase in the carrying amount of the asset is limited to the amount which would have been recorded had no impairment been recognised in prior years. Impairment losses applied to goodwill are not reversed.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Assets and liabilities classified as held for sale and discontinued operations

Assets and liabilities classified as held for sale are available for immediate sale in their present condition and a sale is highly probable within one year. Assets and liabilities classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. Non current assets classified as held for sale are not depreciated or amortised and any write down to fair value less costs to sell is recognised as an impairment loss. Operations are classified as discontinued when they are either disposed of or are part of a single coordinated plan to dispose, and represent a major line of business or geographical area of operation.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a first in first out or weighted average cost basis. Cost comprises directly attributable purchase and conversion costs and an allocation of production overheads based on normal operating capacity. Net realisable value is the estimated selling price less estimated costs to completion and selling costs. Provisions against the value of inventories are made for slow moving or obsolete inventory.

Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated cash flow statement comprise cash at bank and in hand, bank and money market deposits and other short term highly liquid investments generally with original maturities of three months or less and bank overdrafts. Bank overdrafts are presented in borrowings within current liabilities in the consolidated balance sheet.

Leases

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Group. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets capitalised under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. Leases other than finance leases are classified as operating leases. Payments made under operating leases are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight line basis.

Income taxes

The tax expense represents the sum of current tax, non current tax and deferred tax.

Current tax and non current tax are based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current and non current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in countries where the Group operates and generates taxable income. Provisions are established on the basis of amount expected to be paid to tax authorities.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax arising from initial recognition of an asset or liability in a transaction, other than an acquisition, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Tax is recognised in the consolidated income statement, unless the tax relates to items recognised directly in equity, in which case the tax is recognised directly in equity through the consolidated statement of comprehensive income.

Provisions

Provisions are recognised when a present obligation exists in respect of a past event and where the amount can be reliably estimated. Provisions for restructuring are recognised for direct expenditure on business reorganisations where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date. Provisions are discounted where the time value of money is considered to be material.

Dividends

Final equity dividends to the shareholders of Rexam PLC are recognised in the period they are approved by the shareholders. Interim equity dividends are recognised in the period they are paid.

Non GAAP measures

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Financial instruments

Financial instruments that are measured at fair value are disclosed in the consolidated financial statements in accordance with the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Derivative financial instruments are measured at fair value. Derivative financial instruments utilised by the Group include interest rate swaps, cross currency swaps, forward foreign exchange contracts and aluminium, iron ore, diesel and gas commodity contracts.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

- (i) Fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability.
- (ii) Cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.
- (iii) Net investment hedges where they hedge exposure to changes in the value of the Group's interests in the net assets of foreign operations.

For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is recognised in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and similarly recognised in the consolidated income statement.

For cash flow hedges and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity, with any ineffective portion recognised in the consolidated income statement. When hedged cash flows result in the recognition of a non financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the consolidated income statement in the same period in which the hedged cash flows affect the consolidated income statement.

Any gains or losses arising from changes in the fair value of derivative financial instruments not designated as hedges are recognised immediately in the consolidated income statement.

Gains and losses on derivative financial instruments related to operating activities are included in operating profit when recognised in the consolidated income statement. Gains and losses on derivative financial instruments related to financing activities are included in interest when recognised in the consolidated income statement.

Borrowings are measured at amortised cost except where they are hedged by an effective fair value hedge, in which case the carrying value is adjusted to reflect the fair value movements associated with the hedged risk. Where borrowings are used to hedge the Group's interests in the net assets of foreign operations, the portion of the exchange gain or loss on the borrowings that is determined to be an effective hedge is recognised in equity.

Upfront fees paid on the establishment of loan facilities and bonds are initially capitalised as transaction costs of the loan and bond and amortised in interest over the expected term of the loan and bond. Ongoing commitment fees are expensed in interest as incurred.

Available for sale financial assets are measured at fair value. Unrealised gains and losses are recognised in equity except for impairment losses, interest and dividends arising from those assets which are recognised in the consolidated income statement.

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. They are discounted when the time value of money is considered material. Trade and other payables are measured at cost.

2 SEGMENT ANALYSIS

For internal reporting, Rexam is organised into four operating segments for Beverage Cans based on the geographical locations of Europe, AMEA (Africa, Middle East & Asia), North America and South America. For external reporting, the four operating segments for Beverage Cans are combined into two reportable segments, Americas and Europe & Rest of World. Previously the four operating segments were 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.

(i) Results

	Sales £m	Underlying operating profit ¹ £m	Underlying return on sales ² %	Underlying return on net assets ³ %	Exceptional and other items ⁴ £m	Totals £m
2014						
<i>Continuing operations</i>						
Beverage Cans – Americas	2,127	235	11.0	31.6	1	236
Beverage Cans – Europe & Rest of World	1,705	183	10.7	24.1	(16)	167
Total reportable segments	3,832	418	10.9	27.8	(15)	403
Exceptional items not allocated to Beverage Cans						(1)
Share of post tax profits of associates and joint ventures						10
Retirement benefit obligations net interest cost						(16)
Net interest expense						(53)
Profit before tax						343
Tax						(76)
Profit for the year from continuing operations						267
<i>Discontinued operations</i>						
Profit for the year from discontinued operations						90
Total profit for the year						357
2013 – restated						
<i>Continuing operations</i>						
Beverage Cans – Americas	2,183	250	11.5	35.5	(3)	247
Beverage Cans – Europe & Rest of World	1,760	199	11.3	26.4	(22)	177
Total reportable segments	3,943	449	11.4	30.8	(25)	424
Exceptional items not allocated to Beverage Cans						(7)
Share of post tax profits of associates and joint ventures						9
Retirement benefit obligations net interest cost						(16)
Net interest expense						(71)
Profit before tax						339
Tax						(86)
Profit for the year from continuing operations						253
<i>Discontinued operations</i>						
Loss for the year from discontinued operations						(158)
Total profit for the year						95

1 Comprises operating profit before exceptional items, the amortisation of certain acquired intangible assets and fair value changes on certain operating derivatives.

2 Comprises underlying operating profit divided by sales.

3 Comprises underlying operating profit plus share of associates and joint ventures profit after tax divided by the average of opening and closing net assets after adding back retirement benefit obligations (net of tax) and net borrowings and excluding goodwill and certain acquired intangible assets.

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

Share of post tax profits of associates are attributable to Europe & Rest of World. Share of post tax profits of joint ventures are attributable to Americas.

Americas sales are disclosed after deducting £10m of sales to Europe & Rest of World (2013: £15m). Sales by Europe & Rest of World to Americas were not material in either year.

Non specific central costs are allocated on the basis of average net operating assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 SEGMENT ANALYSIS CONTINUED

(ii) Assets and liabilities

	2014 Assets £m	2014 Liabilities £m	2013 Assets restated £m	2013 Liabilities restated £m
<i>Continuing operations</i>				
Beverage Cans – Americas	1,740	(463)	1,630	(426)
Beverage Cans – Europe & Rest of World	1,910	(504)	1,971	(471)
Total reportable segments	3,650	(967)	3,601	(897)
Associates and joint ventures	80	–	76	–
Unallocated assets and liabilities ¹	857	(2,206)	773	(2,213)
Total continuing operations	4,587	(3,173)	4,450	(3,110)
<i>Discontinued operations</i>	–	–	689	(160)
	4,587	(3,173)	5,139	(3,270)

1 Unallocated assets comprise derivative assets, deferred tax assets, pension assets, pension escrow investment, insurance backed assets and cash and cash equivalents which are used as part of the Group's financing offset arrangements. Unallocated liabilities comprise borrowings, derivative liabilities, current and non current tax liabilities, deferred tax liabilities and retirement benefit obligations.

(iii) Significant other items

	2014 Capital expenditure £m	2014 Depreciation and amortisation £m	2013 Capital expenditure restated £m	2013 Depreciation and amortisation restated £m
<i>Continuing operations</i>				
Beverage Cans – Americas	63	64	78	66
Beverage Cans – Europe & Rest of World	140	78	95	79
Total reportable segments	203	142	173	145
<i>Discontinued operations</i>	14	–	45	20
	217	142	218	165

2 SEGMENT ANALYSIS CONTINUED**(iv) Geographic and other information**

	2014 Sales £m	2014 Non current assets £m	2013 Sales £m	2013 Non current assets £m
<i>Continuing operations</i>				
US	1,148	642	1,292	612
Brazil	701	490	658	467
Austria	333	82	337	93
Spain	200	76	212	79
Russia	193	93	242	163
UK	161	223	172	226
Other countries	1,096	1,130	1,030	1,091
	3,832	2,736	3,943	2,731
Unallocated non current assets ¹	–	529	–	530
Total continuing operations	3,832	3,265	3,943	3,261
<i>Discontinued operations</i>	164	–	448	–
	3,996	3,265	4,391	3,261

1 Unallocated non current assets comprise derivative assets, deferred tax assets, pension assets, pension escrow investment and insurance backed assets.

Sales are stated by external customer location. One customer contributed sales of £1,058m (2013: £1,109m), and another customer contributed sales of £606m (2013: £623m).

3 OPERATING EXPENSES

	2014 Continuing operations underlying £m	2014 Continuing operations exceptional and other items ¹ £m	2014 Continuing operations total £m	2014 Discontinued operations total £m	2013 Continuing operations underlying £m	2013 Continuing operations exceptional and other items ¹ £m	2013 Continuing operations total £m	2013 Discontinued operations total £m
Raw materials used	(2,150)	–	(2,150)	(60)	(2,209)	–	(2,209)	(154)
Changes in inventories of WIP and finished goods	16	–	16	–	(2)	–	(2)	1
Employee benefit expense	(477)	(6)	(483)	(53)	(493)	(1)	(494)	(144)
Depreciation of property, plant and equipment	(136)	–	(136)	–	(137)	–	(137)	(11)
Amortisation of intangible assets	(5)	(1)	(6)	–	(6)	(2)	(8)	(9)
Impairment	–	–	–	–	–	(4)	(4)	(232)
Freight costs	(213)	–	(213)	(5)	(207)	–	(207)	(12)
Operating lease rental expense	(21)	–	(21)	(2)	(22)	–	(22)	(6)
Operating lease rental income	2	–	2	–	3	–	3	–
Fair value changes on certain operating derivatives	–	5	5	–	–	(24)	(24)	–
Other operating expenses	(436)	(15)	(451)	(19)	(427)	(1)	(428)	(65)
Other operating income	6	1	7	2	6	–	6	6
	(3,414)	(16)	(3,430)	(137)	(3,494)	(32)	(3,526)	(626)

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

Operating expenses include research and development expenditure of £5m from continuing operations and £2m from discontinued operations (2013: £6m and £3m); fair value changes and hedge ineffectiveness net gains on forward aluminium, iron ore and diesel commodity contracts of £2m from continuing operations (2013: losses of £23m) and fair value gains on forward foreign exchange contracts not hedge accounted of £3m from continuing operations (2013: losses of £1m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4 EMPLOYEE COSTS AND NUMBERS

(i) Employee benefit expense

	2014 £m	2013 £m
<i>Continuing operations</i>		
Wages and salaries	(396)	(396)
Social security	(48)	(47)
Share based payment (note 29)	(11)	(23)
Retirement benefit obligations (note 25)	(28)	(28)
Total continuing operations	(483)	(494)
<i>Discontinued operations</i>	(53)	(144)
	(536)	(638)

Included as part of employee benefit expense is key management compensation as set out below.

(ii) Key management compensation (including directors of Rexam PLC)

	2014 £m	2013 £m
Salaries and short term employee benefits	(9)	(7)
Post employment benefits	(1)	(1)
Share based payment	(4)	(4)
Termination payments	–	(1)
	(14)	(13)

Key management comprises all directors of Rexam PLC, the Executive Leadership Team and band 1 executives. For details of directors' remuneration see the remuneration report.

(iii) Average number of employees

	2014 Number	2013 Number restated
<i>Continuing operations</i>		
Beverage Cans – Americas	3,900	3,900
Beverage Cans – Europe & Rest of World	4,100	4,100
Total reportable segments	8,000	8,000
<i>Discontinued operations</i>	1,100	3,200
	9,100	11,200

4 EMPLOYEE COSTS AND NUMBERS CONTINUED

(iii) Average number of employees

	2014 Number	2013 Number
<i>Continuing operations</i>		
US	1,800	2,000
Brazil	1,600	1,600
Germany	700	700
Russia	600	700
UK	600	600
Spain	400	400
Other countries	2,300	2,000
Total continuing operations	8,000	8,000
<i>Discontinued operations</i>	1,100	3,200
	9,100	11,200

5 AUDITORS' REMUNERATION

	2014 £m	2013 £m
Fees payable to PricewaterhouseCoopers LLP for the audit of the Rexam PLC and consolidated financial statements	0.8	0.7
Fees payable to PricewaterhouseCoopers LLP and its associates for the audit of subsidiaries of Rexam PLC	1.6	2.0
Audit related assurance services	0.2	0.2
Other assurance services	0.5	1.4
Tax advisory services	0.3	0.2
Tax compliance services	0.2	0.3
All other non audit services	0.5	0.3
	4.1	5.1

Included above are amounts payable to associate members of PricewaterhouseCoopers LLP for the audit of subsidiaries of Rexam PLC of £0.1m in relation to discontinued operations (2013: £0.4m). Other assurance services comprise assurance reporting on historic financial information required for business disposals, of which £0.5m was recovered from the purchaser of Healthcare (2013: £nil).

6 EXCEPTIONAL ITEMS FROM CONTINUING OPERATIONS

	2014 £m	2013 £m
Restructuring	(15)	(2)
Other exceptional items	(5)	–
Impairment	–	(4)
Exceptional items before tax	(20)	(6)
Tax on exceptional items	4	1
Exceptional tax	7	–
Total exceptional items after tax	(9)	(5)

Restructuring relates to reorganisation costs for the European beverage cans business and costs incurred with respect to conversion of steel beverage can lines to aluminium. Other exceptional items comprise a legal provision relating to an historic dispute in a business that originated prior to Rexam ownership of £2m, an increase in legacy environmental provisions of £2m and acquisition transaction costs relating to United Arab Can Manufacturing Limited of £1m. Exceptional tax of £7m relates to a release of legacy tax provisions no longer required. The £6m of exceptional items before tax in 2013 related to restructuring and impairment of assets that arose as a consequence of the disposal of Healthcare and Personal Care.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 INTEREST

	2014 £m	2013 £m
Interest expense		
<i>Continuing operations</i>		
Bank overdrafts	(7)	(4)
Bank loans	(6)	(6)
US private placements	(20)	(23)
Subordinated bond	(40)	(45)
US public bond	–	(10)
Medium term notes	–	(6)
Interest on financing derivatives	19	25
Foreign exchange losses	(5)	(7)
Underlying interest expense	(59)	(76)
Fair value losses on financing derivatives	(1)	(1)
Total continuing operations	(60)	(77)
<i>Discontinued operations</i>		
Bank overdrafts	–	(2)
Total interest expense	(60)	(79)
Interest income		
<i>Continuing operations</i>		
Short term bank and money market deposits	7	6

An analysis of fair value (losses)/gains on financing derivatives is set out below.

	2014 £m	2013 £m
Fair value hedges		
Interest rate swaps	–	(1)
Cross currency swaps	(14)	(22)
Fair value adjustment to borrowings	18	25
	4	2
Not hedge accounted		
Interest rate swaps	2	3
Cross currency swaps	(7)	(6)
	(5)	(3)
Fair value losses on financing derivatives	(1)	(1)

The net gain on fair value hedges of £4m (2013: £2m) represents the total hedge ineffectiveness on financing derivatives for the year.

8 TAX**(i) Tax included in the consolidated income statement**

	2014 Underlying profit £m	2014 Exceptional and other items ¹ £m	2014 Total £m	2013 Underlying profit £m	2013 Exceptional and other items ¹ £m	2013 Total £m
<i>Continuing operations</i>						
Current and non current tax	(65)	2	(63)	(65)	1	(64)
Adjustment in respect of prior years	5	7	12	–	–	–
Current and non current tax	(60)	9	(51)	(65)	1	(64)
Origination and reversal of temporary differences	(26)	1	(25)	(31)	6	(25)
Adjustment in respect of prior years	–	–	–	3	–	3
Deferred tax	(26)	1	(25)	(28)	6	(22)
Total continuing operations	(86)	10	(76)	(93)	7	(86)
<i>Discontinued operations</i>	(10)	(36)	(46)	(20)	40	20
	(96)	(26)	(122)	(113)	47	(66)

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

(ii) Tax reconciliation

A reconciliation of the tax charge applicable to the Group's profit/(loss) before tax on continuing operations at the UK statutory rate of 21.5% (2013: 23.25%) with the tax charge on continuing operations based on the Group's effective rate is set out below.

	2014 Underlying profit/tax £m	2014 Exceptional and other items £m	2014 Total £m	2013 Underlying profit/tax £m	2013 Exceptional and other items £m	2013 Total £m
Profit/(loss) before tax on continuing operations	360	(17)	343	372	(33)	339
Tax on continuing operations at the UK statutory rate	(77)	3	(74)	(87)	8	(79)
Non deductible and non taxable items	1	(1)	–	2	(1)	1
(Higher)/lower domestic tax rates on overseas earnings	(15)	1	(14)	(11)	–	(11)
Adjustment in respect of prior years	5	7	12	3	–	3
Tax in the consolidated income statement	(86)	10	(76)	(93)	7	(86)
Effective rate of tax on continuing operations	24%		22%	25%		25%

(iii) Tax credited/(charged) in equity

	2014 £m	2013 £m
Retirement benefits: actuarial gains/(losses)	4	(26)
Cash flow hedges	(2)	(1)
Share based payment	–	5
Tax included in equity	2	(22)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

8 TAX CONTINUED

(iv) Analysis of deferred tax

	2014 £m	2013 £m
Deferred tax assets	210	270
Deferred tax liabilities	(40)	(54)
Net deferred tax assets	170	216

	Retirement benefit obligations £m	Tax losses £m	Accelerated tax depreciation £m	Goodwill and other intangible assets £m	Other temporary differences £m	Total £m
At 1 January 2014	129	57	(95)	55	70	216
Exchange differences	9	2	2	2	–	15
(Charge)/credit for the year	(7)	7	6	(59)	(10)	(63)
Credit/(charge) to equity	4	–	–	–	(2)	2
At 31 December 2014	135	66	(87)	(2)	58	170
At 1 January 2013	161	31	(94)	71	64	233
Exchange differences	–	(2)	2	1	(1)	–
Credit/(charge) for the year	(6)	28	(5)	(17)	2	2
(Charge)/credit to equity	(26)	–	–	–	4	(22)
Transfer to liabilities classified as held for sale	–	–	2	–	1	3
At 31 December 2013	129	57	(95)	55	70	216

Deferred tax assets and liabilities are presented as non current in the consolidated balance sheet. Of the total deferred tax assets, £7m (2013: £31m) are recoverable within one year. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance net.

Deferred tax assets have been recognised where it is probable that they will be recovered. In recognising deferred tax assets, the Group has considered if it is more likely than not that sufficient future profits will be available to absorb tax losses and other temporary differences. Deferred tax assets of £105m (2013: £54m) have not been recognised in respect of losses and other temporary differences due to the uncertainty of the availability of suitable profits in the foreseeable future. The principal items on which no deferred tax assets have been recognised are tax losses, including capital losses, of £370m (2013: £217m) of which £13m (2013: £5m) expire within five years.

No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries except where it is probable that the temporary difference will reverse in the foreseeable future. If the earnings were remitted in full, additional tax of £24m (2013: £28m) would be payable.

9 EARNINGS/(LOSS) PER SHARE

	Underlying 2014 Pence	Basic 2014 Pence	Diluted 2014 Pence	Underlying 2013 Pence	Basic 2013 Pence	Diluted 2013 Pence
Continuing operations	37.2	36.2	35.9	35.3	32.0	31.6
Discontinued operations	2.0	12.2	12.1	5.3	(20.0)	(20.0)
Total	39.2	48.4	48.0	40.6	12.0	11.6

	Continuing operations £m	Discontinued operations £m	Total operations £m
2014			
Underlying profit before tax	360	25	385
Tax on underlying profit	(86)	(10)	(96)
Underlying profit for the financial year	274	15	289
Total exceptional and other items after tax	(7)	75	68
Total profit for the financial year	267	90	357
2013			
Underlying profit before tax	372	62	434
Tax on underlying profit	(93)	(20)	(113)
Underlying profit for the financial year	279	42	321
Total exceptional and other items after tax	(26)	(200)	(226)
Total profit/(loss) for the financial year	253	(158)	95

	2014 Millions	2013 Millions
Weighted average number of shares in issue	737.1	791.3
Dilution on conversion of outstanding share options	7.1	9.6
Weighted average number of shares in issue on a diluted basis	744.2	800.9

Underlying earnings per share from continuing operations is based upon underlying profit for the financial year attributable to Rexam PLC divided by the weighted average number of shares in issue. Basic earnings per share from continuing operations is based on total profit for the financial year from continuing operations attributable to Rexam PLC divided by the weighted average number of shares in issue. Diluted earnings per share from continuing operations is based on total profit for the financial year from continuing operations attributable to Rexam PLC divided by the weighted average number of shares in issue on a diluted basis. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

10 DISCONTINUED OPERATIONS

A summary of the consolidated income statement, exceptional items, profit on disposal, cash flows and other comprehensive loss with respect to discontinued operations are set out below.

(i) Consolidated income statement

	2014 £m	2013 £m
Sales	164	448
Operating expenses	(137)	(626)
Underlying operating profit	25	64
Exceptional items (note ii)	2	(234)
Amortisation of certain acquired intangible assets	–	(8)
Operating profit/(loss)	27	(178)
Interest expense	–	(2)
Profit/(loss) before tax	27	(180)
Tax on underlying profit	(10)	(20)
Tax on exceptional items (note ii)	–	31
Tax on amortisation of certain acquired intangible assets	–	3
Tax	(10)	14
Profit/(loss) after tax	17	(166)
Profit on disposal (note iii)	73	8
Net profit/(loss)	90	(158)

(ii) Exceptional items

	2014 £m	2013 £m
Restructuring and reversal of restructuring provisions	2	(2)
Impairment of Healthcare	–	(233)
Other impairment (net of reversals)	–	1
Exceptional items before tax	2	(234)
Tax on impairment of Healthcare	–	22
Tax on capital losses	–	9
Exceptional items after tax	2	(203)

(iii) Profit on disposal

	2014 £m	2013 £m
Gross proceeds	476	–
Cash costs	(19)	(23)
Net cash inflow in the consolidated cash flow statement	457	(23)
Net assets disposed (net of tax)	(526)	–
Change in accrued costs	(10)	31
Exchange differences recognised in the income statement on disposal	152	–
Profit on disposal	73	8

Profit on disposal includes £4m in respect of non Healthcare related discontinued operations (2013: £8m). Total costs of disposal with respect to Healthcare in 2014 of £29m comprise £17m of transaction costs and £12m of other costs related directly to the disposal.

10 DISCONTINUED OPERATIONS CONTINUED

(iv) Cash flows

	2014 £m	2013 £m
Net cash flows from operating activities	(22)	50
Net cash flows from investing activities	(9)	(45)
Net cash flows from financing activities	–	5
Net cash (outflow)/inflow	(31)	10

(v) Other comprehensive loss

	2014 £m	2013 £m
Exchange differences	(16)	(9)
Exchange differences recognised in the income statement on disposal of Healthcare	(152)	–
Total other comprehensive loss	(168)	(9)

11 EQUITY DIVIDENDS

	2014 £m	2013 £m
Interim dividend for 2014 of 5.8p paid on 18 September 2014	41	–
Final dividend for 2013 of 11.7p paid on 3 June 2014	92	–
Interim dividend for 2013 of 5.7p paid on 11 September 2013	–	45
Final dividend for 2012 of 10.2p paid on 22 May 2013	–	80
	133	125

A final dividend per equity share of 11.9p has been proposed for 2014 and, subject to shareholder approval, is payable on 27 May 2015. The cost of the proposed dividend would be £83m. The proposed final dividend has not been accrued in these consolidated financial statements.

12 GOODWILL

(i) Summary

	2014 £m	2013 £m
Cost		
At 1 January	1,235	1,556
Exchange differences	(14)	9
Transfer to assets classified as held for sale	–	(330)
At 31 December	1,221	1,235
Accumulated impairment		
At 1 January	(3)	(3)
Exchange differences	–	–
At 31 December	(3)	(3)
Carrying value at 31 December	1,218	1,232

The carrying value of goodwill at 31 December is allocated to cash generating units or groups of cash generating units (CGUs) as set out below.

	2014 £m	2013 £m
Europe	566	599
US	362	342
Brazil	194	184
Turkey	38	35
Egypt	28	27
Russia	23	38
Mexico	7	7
Total carrying value at 31 December	1,218	1,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 GOODWILL CONTINUED

(ii) Impairment testing

The recoverable amounts of CGUs or groups of CGUs were determined based on value in use calculations at 31 December 2014. The cash flow projections used in these calculations are based on the Group's financial budget for 2015, as approved by the board in December 2014, and the Group's financial plans in respect of 2016 and 2017. As highlighted in the principal accounting policies, the calculation of value in use requires the use of estimates which, although based on management's best knowledge, may ultimately differ from actual results.

Key assumptions

The key assumptions for the value in use calculations are:

- (a) Discount rates. The pre tax discount rates used in the value in use calculations are set out in the table below. These discount rates are derived from the Group's pre tax weighted average cost of capital (WACC), as adjusted for the specific risks relating to each region in which the CGUs operate.

	2014 %	2013 %
Europe	10	10
US	10	10
Brazil	15	16
Turkey	15	17
Egypt	23	27
Russia	19	16
Mexico	13	14

- (b) Growth rates. Cash flows beyond the three year planning horizon have been extrapolated using growth rates of 1.6% for Europe (2013: 2.0%), 2.1% for the US (2013: 2.4%), 5.0% for Brazil (2013: 4.8%) and at rates ranging between 3.3% and 6.8% for all other operations' CGUs (2013: 3.3% and 6.8%). The growth rates used do not exceed the long term GDP growth rates relating to each region in which the CGUs operate.
- (c) Sales and costs. Forecasts for sales and margins are based on analyses of sales, markets, costs and competitors. Consideration is given to past experience and knowledge of future contracts. Forecasts for aluminium costs are based on forward prices and time projections after taking into account pass through of costs and hedging. Forecasts for other raw materials and energy costs are based on inflation forecasts and supply and demand factors.

Sensitivities

With respect to all CGUs or groups of CGUs, management considers that no reasonably possible change in any of the key assumptions would cause the recoverable amount of goodwill to fall below carrying value at 31 December 2014.

13 OTHER INTANGIBLE ASSETS

	Computer software acquired £m	Computer software developed £m	Customer contracts and relationships acquired £m	Technology and patents acquired £m	Other development projects £m	Total £m
Cost						
At 1 January 2014	82	9	42	–	6	139
Exchange differences	–	–	(12)	–	–	(12)
Additions	6	–	–	–	–	6
Disposals	(15)	(5)	(13)	–	–	(33)
At 31 December 2014	73	4	17	–	6	100
Accumulated amortisation and impairment						
At 1 January 2014	(71)	(9)	(22)	–	(3)	(105)
Exchange differences	–	–	4	–	–	4
Amortisation for the year	(5)	–	(1)	–	–	(6)
Disposals	15	5	13	–	–	33
At 31 December 2014	(61)	(4)	(6)	–	(3)	(74)
Carrying value at 31 December 2014	12	–	11	–	3	26
Cost						
At 1 January 2013	92	18	264	90	13	477
Exchange differences	–	1	8	4	(1)	12
Additions	5	–	–	–	–	5
Disposals	(1)	–	–	(4)	(1)	(6)
Transfer from property, plant and equipment	1	–	–	–	–	1
Transfer to assets classified as held for sale	(15)	(10)	(230)	(90)	(5)	(350)
At 31 December 2013	82	9	42	–	6	139
Accumulated amortisation and impairment						
At 1 January 2013	(76)	(17)	(83)	(35)	(6)	(217)
Exchange differences	–	(1)	(2)	–	1	(2)
Amortisation for the year	(7)	–	(7)	(3)	–	(17)
Impairment	(2)	–	–	–	–	(2)
Disposals	1	–	–	4	1	6
Transfer to assets classified as held for sale	13	9	70	34	1	127
At 31 December 2013	(71)	(9)	(22)	–	(3)	(105)
Carrying value at 31 December 2013	11	–	20	–	3	34

The impairment of £2m in 2013 comprised the write off of certain software licences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 PROPERTY, PLANT AND EQUIPMENT

	Property £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 1 January 2014	425	1,979	118	2,522
Exchange differences	(15)	(49)	(3)	(67)
Additions	2	22	173	197
Disposals	(2)	(33)	–	(35)
Reclassifications	12	120	(132)	–
At 31 December 2014	422	2,039	156	2,617
Accumulated depreciation and impairment				
At 1 January 2014	(137)	(1,128)	–	(1,265)
Exchange differences	5	26	–	31
Depreciation for the year	(14)	(122)	–	(136)
Disposals	2	26	–	28
At 31 December 2014	(144)	(1,198)	–	(1,342)
Carrying value at 31 December 2014	278	841	156	1,275
Cost				
At 1 January 2013	494	2,052	227	2,773
Exchange differences	(3)	(15)	3	(15)
Additions	2	43	137	182
Disposals	(1)	(29)	–	(30)
Transfer to other intangible assets	–	(1)	–	(1)
Reclassifications	54	157	(211)	–
Transfer to assets classified as held for sale	(121)	(228)	(38)	(387)
At 31 December 2013	425	1,979	118	2,522
Accumulated depreciation and impairment				
At 1 January 2013	(152)	(1,162)	–	(1,314)
Exchange differences	–	4	–	4
Depreciation for the year	(16)	(132)	–	(148)
Reversal of impairment	–	1	–	1
Disposals	1	24	–	25
Reclassifications	(2)	2	–	–
Transfer to assets classified as held for sale	32	135	–	167
At 31 December 2013	(137)	(1,128)	–	(1,265)
Carrying value at 31 December 2013	288	851	118	1,257

The reversal of impairment of £1m in 2013 was in relation to a previous over impairment of a closed plant.

15 INVESTMENTS IN SUBSIDIARIES

Rexam is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is set out on page 156. The principal subsidiaries, all of which are wholly owned, are shown below. An asterisk indicates that the capital is directly owned by Rexam PLC. Subsidiaries incorporated in the UK are registered in England and Wales. All subsidiaries are included in the consolidated financial statements. A full list of subsidiaries, associates and joint ventures at 31 December 2014 will be annexed to the Company's next annual return.

	Country of incorporation	Principal area of operation	Identity of capital held	Nature of business activities
Rexam Beverage Can Company	US	US	Common stock	Beverage cans
Rexam Beverage Can Naro Fominsk LLC	Russia	Russia	Capital stock	Beverage cans
Rexam Beverage Can South America SA	Brazil	South America	Common stock	Beverage cans
Rexam do Brazil Ltda	Brazil	South America	Quotas	Beverage cans
Rexam European Holdings Limited	UK	UK	Ordinary shares	Holding company
Rexam Group Holdings Limited*	UK	UK	Ordinary shares	Holding company
Rexam Holdings AB	Sweden	Continental Europe	Ordinary shares	Holding company
Rexam Inc	US	US	Common stock	Holding company
Rexam Overseas Holdings Limited	UK	UK	Ordinary shares	Holding company

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The principal associate and joint venture are set out below.

	Country of incorporation and area of operation	Issued capital	Group share
Hanil Can Company Limited – associate	South Korea	1.7m shares of 5,000 won each	40%
Envases Universales Rexam de Centroamerica SA – joint venture	Guatemala	378.1m shares of 0.32 quetzal each	50%

	Associates £m	Joint ventures £m	Total £m
At 1 January 2014	48	28	76
Exchange differences	2	2	4
Share of post tax profits	5	5	10
Capital reduction	–	(10)	(10)
At 31 December 2014	55	25	80
At 1 January 2013	44	24	68
Exchange differences	–	(1)	(1)
Share of post tax profits	4	5	9
At 31 December 2013	48	28	76

There is £3m of goodwill allocated to the joint venture in Guatemala (2013: £3m).

At December 2013, there was an unsecured interest free loan from the joint venture in Guatemala of £3m. This loan was increased to £10m during 2014. The loan was interest free and repayable on demand. In December 2014, a capital reduction took place in the business and as a result the £10m loan was discharged.

The following table sets out summary information on all associates and joint ventures on a 100% basis.

	2014 Associates £m	2014 Joint ventures £m	2013 Associates £m	2013 Joint ventures £m
Sales	201	89	208	88
Operating profit	18	12	14	13
Profit before tax	16	12	13	13
Profit after tax	13	10	10	10
Assets	207	64	189	70
Liabilities	(70)	(15)	(71)	(13)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 INSURANCE BACKED ASSETS

	2014 £m	2013 £m
At 1 January	22	25
Exchange differences	1	–
Payments in respect of pension obligations	(2)	(2)
Actuarial gains/(losses)	4	(1)
	25	22
Non current assets	23	20
Current assets	2	2
At 31 December	25	22

The Group, through its subsidiary Rexam Inc, has a number of non qualified defined benefit pension plans in the US. It also has a number of non qualifying insurance policies (insurance backed assets), whereby those policies pay the benefits to the Group as they fall due, and the Group in turn makes the payments to the eligible beneficiaries of the non qualified defined benefit pension plans. Although eligible beneficiaries have no vested rights in the insurance policies, the policies cannot be used by the Group, and would revert to the benefit of general creditors in the event of Rexam Inc's bankruptcy. The insurance backed assets are recognised in the consolidated balance sheet at the present value of the matching defined benefit pension obligations and are accounted for in accordance with the Group's accounting policy for retirement benefit obligations.

18 INVENTORIES

	2014 £m	2013 £m
Raw materials, stores and consumables	179	186
Work in progress	2	1
Finished goods	323	279
	504	466

An analysis of provisions against inventories is set out below.

	2014 £m	2013 £m
At 1 January	(18)	(36)
Exchange differences	1	(1)
Charge for the year	(3)	(4)
Released in the year	–	5
Utilised	1	1
Transfer to assets classified as held for sale	–	17
At 31 December	(19)	(18)

19 TRADE AND OTHER RECEIVABLES

	2014 £m	2013 £m
Non current assets		
Trade receivables	4	2
Provision for impairment	(2)	(2)
Net trade receivables	2	–
Prepayments	103	93
Taxes	6	8
Pension escrow investment	40	25
Available for sale financial assets	1	1
Other receivables	25	30
	177	157
Current assets		
Trade receivables	393	389
Provision for impairment	(2)	(2)
Net trade receivables	391	387
Prepayments	34	38
Taxes	45	34
Other receivables	20	20
	490	479
Total trade and other receivables	667	636

An analysis of provisions for impairment of trade and other receivables is set out below.

	2014 £m	2013 £m
At 1 January	(4)	(10)
Impairment in the year	(1)	(1)
Released in the year	1	3
Utilised	–	3
Transfer to assets classified as held for sale	–	1
At 31 December	(4)	(4)

An analysis of total trade and other receivables including those which are past due but not impaired is set out below.

	2014 £m	2013 £m
Not yet due	642	609
Past due less than 3 months	23	24
Between 3 and 6 months	–	1
Between 6 and 12 months	–	1
More than 12 months	2	1
	667	636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19 TRADE AND OTHER RECEIVABLES CONTINUED

The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. Customer credit facilities for new customers must be approved by designated managers at business level or by senior sector management. Credit limits are set with reference to trading history and reports from credit rating agencies. Customer credit facilities are reviewed at the sales order entry stage and at the time of shipment so as not to exceed customer limits. Overdue accounts are regularly reviewed and impairment provisions are created where necessary. As a matter of policy, all outstanding trade balances greater than three months are fully provided except as approved by senior sector management and with due regard to the historical risk profile of the customer. The Group has extremely low historical levels of customer credit defaults, due in part to the large multinational nature of many of its customers and the long term relationships it has with them. There were no major new customers in 2014 where the Group considered there was a risk of significant credit default. There are no trade and other receivables that would otherwise be past due or impaired whose terms have been renegotiated.

The carrying amounts of total trade and other receivables are denominated in the following currencies.

	2014 £m	2013 £m
Brazilian real	197	191
Euro	189	187
US dollar	160	130
Other	121	128
	667	636

Available for sale financial assets comprise investments of £1m (2013: £1m) and are denominated in euros.

20 CASH AND CASH EQUIVALENTS

	2014 £m	2013 £m
Cash at bank and in hand	116	66
Short term bank and money market deposits	172	145
	288	211

The carrying amounts of cash and cash equivalents are denominated in the following currencies.

	2014 £m	2013 £m
US dollar	120	57
Brazilian real	69	61
Egyptian pound	45	8
Sterling	18	63
Euro	17	12
Other	19	10
	288	211

21 TRADE AND OTHER PAYABLES

	2014 £m	2013 £m
Current liabilities		
Trade payables	(564)	(457)
Social security and other taxes	(50)	(52)
Accrued expenses	(149)	(144)
Loan from joint venture	–	(3)
Other payables	(43)	(46)
	(806)	(702)
Non current liabilities		
Accrued expenses	(36)	(57)
Other payables	(28)	(32)
	(64)	(89)
Total trade and other payables	(870)	(791)

The carrying amounts of total trade and other payables are denominated in the following currencies.

	2014 £m	2013 £m
US dollar	(432)	(358)
Euro	(207)	(223)
Brazilian real	(147)	(130)
Sterling	(47)	(29)
Other	(37)	(51)
	(870)	(791)

22 BORROWINGS

	2014 £m	2013 £m
Current liabilities		
Bank overdrafts	(17)	(20)
Bank loans	(255)	(258)
US private placements	(1)	(1)
Subordinated bond	(19)	(20)
	(292)	(299)
Non current liabilities		
Bank loans	2	(22)
US private placements	(480)	(456)
Subordinated bond	(646)	(703)
	(1,124)	(1,181)
Total borrowings	(1,416)	(1,480)

The Group has a range of bank facilities maturing from 2015 to 2018. These facilities may generally be drawn in a range of freely available currencies and are at floating rates of interest. In addition, the Group has a subordinated bond and US private placements in issue. The subordinated bond is denominated in euros with a maturity in 2067. It was issued at a fixed rate of interest and has been partially swapped into US dollar floating rates of interest until 2017 through the use of cross currency interest rate derivatives. The US private placements total \$720m and €25m. They are at fixed rates of interest with \$545m and €25m maturing in 2022 and \$175m maturing in 2024.

The carrying amounts of total borrowings are denominated in the following currencies.

	2014 £m	2013 £m
Euro	(681)	(742)
US dollar	(485)	(434)
Sterling	(246)	(266)
Other	(4)	(38)
	(1,416)	(1,480)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 NET BORROWINGS

	2014 £m	2013 £m
Cash and cash equivalents	288	211
Bank overdrafts	(17)	(20)
Bank loans	(253)	(280)
US private placements	(481)	(457)
Subordinated bond	(665)	(723)
Financing derivatives	30	98
	(1,098)	(1,171)

	2014 £m	2013 £m
At 1 January	(1,171)	(781)
Exchange differences	(47)	–
Disposal of Healthcare	80	–
Increase/(decrease) in cash and cash equivalents	84	(1,075)
Proceeds from borrowings	(68)	(349)
Repayment of borrowings	34	1,050
Fair value and other changes	(10)	(16)
At 31 December	(1,098)	(1,171)

Repayment of borrowings in 2014 comprises the repayment of bank loans of £34m. Proceeds from borrowings in 2014 comprises settlement of inter company debt on the disposal of Healthcare. Repayment of borrowings for 2013 comprised the repayment of the €700m medium term notes for £549m, the \$550m US public bond for £360m and the \$220m US private placement for £141m. Proceeds from borrowings in 2013 comprised the remaining \$150m drawdown of the \$720m US private placement for £92m, an increase in bank loans of £254m and settlement of financing derivatives of £3m.

Net borrowings are reconciled to the consolidated balance sheet as set out below.

	2014 £m	2013 £m
Total derivative financial instruments (net)	2	61
Derivatives not included in net borrowings	28	37
Financing derivatives included in net borrowings	30	98
Cash and cash equivalents	288	211
Borrowings included in current liabilities	(292)	(299)
Borrowings included in non current liabilities	(1,124)	(1,181)
	(1,098)	(1,171)

24 FINANCIAL INSTRUMENTS

(i) Carrying amount and fair value of financial assets and liabilities

	Derivatives used for hedging £m	Derivatives not used for hedging £m	Loans and receivables £m	Available for sale assets £m	Other financial liabilities £m	Total carrying amount £m	Total fair value £m
At 31 December 2014							
Financial assets							
Cash and cash equivalents	–	–	288	–	–	288	288
Trade and other receivables ¹	–	–	478	–	–	478	478
Available for sale financial assets	–	–	–	1	–	1	1
Derivatives	136	69	–	–	–	205	205
Financial liabilities							
Trade and other payables ²	–	–	–	–	(820)	(820)	(820)
Bank overdrafts	–	–	–	–	(17)	(17)	(17)
Bank loans	–	–	–	–	(253)	(253)	(253)
US private placements	–	–	–	–	(481)	(481)	(513)
Subordinated bond	–	–	–	–	(665)	(665)	(608)
Derivatives	(31)	(172)	–	–	–	(203)	(203)
	105	(103)	766	1	(2,236)	(1,467)	(1,442)
At 31 December 2013							
Financial assets							
Cash and cash equivalents	–	–	211	–	–	211	211
Trade and other receivables ¹	–	–	462	–	–	462	462
Available for sale financial assets	–	–	–	1	–	1	1
Derivatives	165	77	–	–	–	242	242
Financial liabilities							
Trade and other payables ²	–	–	–	–	(739)	(739)	(739)
Bank overdrafts	–	–	–	–	(20)	(20)	(20)
Bank loans	–	–	–	–	(280)	(280)	(280)
US private placements	–	–	–	–	(457)	(457)	(462)
Subordinated bond	–	–	–	–	(723)	(723)	(692)
Derivatives	(8)	(173)	–	–	–	(181)	(181)
	157	(96)	673	1	(2,219)	(1,484)	(1,458)

1 Excludes prepayments and taxes.

2 Excludes social security and other taxes.

Market values have been used to determine the fair values of available for sale financial assets, bank overdrafts and floating rate bank loans. The carrying values of trade and other receivables and trade and other payables are assumed to approximate to their fair values due to their short term nature. The fair value of the subordinated bond has been determined by reference to quoted market prices at the close of business on 31 December. The fair value of the US private placements has been approximated using the market value of similar instruments with similar parameters issued around the same time. The fair values of interest rate swaps, cross currency swaps and fixed rate loans have been determined by discounting cash flows at prevailing interest rates. The fair value of forward foreign exchange contracts has been determined by marking those contracts to market against prevailing forward foreign exchange rates. The fair value of forward commodity contracts has been determined by marking those contracts to market at prevailing forward prices.

The subordinated bond is categorised as level 1 in the fair value measurement table, as a quoted market price has been used to determine its fair value. All other financial instruments in the above tables are categorised as level 2 in the fair value measurement hierarchy, whereby the fair value is determined by using valuation techniques. The valuation techniques for level 2 instruments use observable market data where it is available and rely less on estimates. At 31 December 2013, the Healthcare assets and liabilities classified as held for sale were written down to their fair value less costs to sell. This was a non recurring fair value. At 31 December 2013, Rexam had announced the proposed sale of the pharmaceutical devices and prescription retail packaging divisions of Healthcare for \$805m. These two divisions were measured using observable inputs, being the externally reported price for the business, and are therefore within level 2 of the fair value hierarchy. The remaining closures and containers division of Healthcare at 31 December 2013 was measured based on unobservable inputs, being a combination of bids from market participants and financial forecasts developed internally, and was therefore wholly within level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 FINANCIAL INSTRUMENTS CONTINUED

(ii) Financial risk management

The Group bases its financial risk management on sound economic objectives and good corporate practice. Group treasury operations are carried out under policies and parameters approved by the Rexam board.

(a) Market risk: currencies

Currency risks arise from the multi currency cash flows within the Group. These risks arise from exchange rate fluctuations relating to the translation of balance sheet items of foreign subsidiaries (translation risk) and from currency flows from sales and purchases (transaction risk).

Although the Group does not directly hedge translation risk it does mitigate the impact by borrowing a proportion of debt, either directly or through the use of cross currency swaps and forward foreign exchange contracts, in currencies which match or are correlated to the currencies of the overseas businesses. This approach also provides some protection against the foreign exchange translation of overseas earnings as it matches the currency of earnings to the currency of the interest expense. These amounts are included in the consolidated financial statements by translation into sterling at the balance sheet date and, where hedge accounted, offset in equity against the translation movement in net assets. Some cross currency swaps used to manage the Group's currency exposures, whilst economically effective, are ineligible for hedge accounting treatment.

The policy regarding transaction risk is to hedge the reported net transaction exposure in full less an allowance for variability in forecasting. This is generally achieved through the use of forward foreign exchange contracts with amounts hedged being based on the reporting from individual Group businesses. None of the foreign exchange derivative instruments at 31 December 2014 related to derivative trading activity, although some fair value gains and losses were taken to the consolidated income statement because IAS39 hedge accounting treatment was not applied. Foreign exchange derivative instruments are used for hedging general business exposures in foreign currencies such as the purchase and sale of goods, capital expenditure and dividend flows.

Transactional foreign exchange risks are hedged by Group treasury unless it is a legal requirement in the country where the foreign exchange risk arises that hedging is carried out locally. In the latter case, hedging is carried out by the individual responsible for treasury within the local business, but still operating within the overall Group policy on foreign exchange management.

The currency denomination of borrowings at 31 December 2014 was 58% in US dollars and 42% in euros (2013: 68% US dollars, 32% euros).

In response to the instabilities in certain currency markets, Rexam uses its Treasury Risk Committee comprising members from Group treasury, Group enterprise risk management and relevant businesses to identify key exposures, discuss and monitor developments and develop appropriate mitigation actions.

(b) Market risk: interest rates

Changes in interest rates on interest bearing receivables and floating rate debt in different currencies create interest rate risk. The objective of the Group's interest rate risk management is to manage its exposure to the impact of changes in interest rates in the currencies in which debt is borrowed. Group policy is normally to keep between 35% and 85% of interest on borrowings at fixed rates although approval may be sought for higher percentages of fixed rate debt. Interest rate risk is managed through the issue of fixed rate debt and through the use of interest rate derivatives that are used to manage the overall fixed to floating mix of debt, which was 90% fixed and 10% floating at 31 December 2014 (2013: 89% and 11%). Group treasury operates within a broad framework in respect of the mix of fixed and floating rate debt, as the optimum blend will vary depending on the mix of currencies and the Group's view of the debt markets at any point in time.

Cash at bank earns interest at floating rates based on bank deposit rates in the relevant currency. Short term deposits are usually made for periods varying between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. Other floating rate financial instruments are at the appropriate LIBOR interest rates as adjusted by variable margins. Interest on floating rate financial instruments is repriced at intervals of less than one year. Interest on fixed rate financial instruments is fixed until maturity of the instrument.

Some interest rate swaps used to manage the Group's fixed to floating debt mix, whilst economically effective, are ineligible for hedge accounting treatment. Fair value gains and losses on these hedges are recognised in the consolidated income statement.

In 2014, there was a loss of £1m (2013: £1m) on fair value changes on financing derivatives, disclosed separately within interest expense in the consolidated income statement.

24 FINANCIAL INSTRUMENTS CONTINUED

(c) Market risk: commodity prices

Changes in the market price of commodities used by the Group create commodity risk. Group policy is to manage these risks through both its supply chain management and through use of financial derivatives. Where financial derivatives are used, the Group uses mainly over the counter instruments transacted with banks, which are themselves priced through a recognised commodity exchange, such as the London Metal Exchange. The Group manages the purchase of certain raw materials, including aluminium, iron ore, gas and diesel through physical supply contracts which, in the main, relate directly to commodity price indices. With regard to aluminium, which represents the Group's largest commodity exposure, the policy is to eliminate as far as possible any market price variability through hedging in tandem with contractual commitments to customers. Where Rexam assumes the aluminium price risk on customer contracts, it has defined a risk appetite with a predetermined aggregate consolidated income statement limit arising from any related aluminium hedging activities. Its position against this limit is monitored and reported on a monthly basis. For other commodities, the policy is to follow an incremental hedge approach over a period of up to three years in order to manage the price year on year and limit uncertainty. None of the commodity derivative financial instruments at 31 December 2014 related to derivative trading activity, although fair value gains and losses were taken to the consolidated income statement because hedge accounting was not applied or hedges were ineffective. The commodity hedges mainly relate to contracted and expected future purchases of aluminium, but also include iron ore, gas and diesel.

(d) Market risk: sensitivities

A sensitivity analysis for financial assets and liabilities affected by market risk is set out below. Each risk is analysed separately and shows the sensitivity of financial assets and liabilities when a certain risk is changed. The sensitivity analysis has been performed on balances at 31 December each year. The rates used are based on historical trends and, where relevant, projected forecasts.

Key methods and assumptions made when performing the sensitivity analysis (net of hedging):

- For the floating rate element of interest rate swaps and borrowings, the sensitivity calculation is performed based on the floating rates at 31 December each year.
- The translation impact of overseas subsidiaries into sterling is not included in the sensitivity analysis.
- The sensitivity analysis ignores any tax implications.

Currencies

The foreign exchange rate sensitivity analysis set out in the table below is based on foreign currency positions, other than each Group entity's own functional currency, on the balance sheet at 31 December. The analysis includes only risks arising from financial instruments and gives the estimated impact on profit before tax and equity of a 10% increase and decrease in exchange rates between currency pairs with significant currency positions.

	Increase %	Impact on profit before tax £m	Impact on equity £m	Decrease %	Impact on profit before tax £m	Impact on equity £m
At 31 December 2014						
Sterling/US dollar	10	2	34	(10)	(3)	(42)
Sterling/euro	10	(1)	37	(10)	13	(46)
Euro/US dollar	10	(4)	(19)	(10)	4	17
Rouble/US dollar	10	(3)	(6)	(10)	3	6
At 31 December 2013						
Sterling/US dollar	10	(4)	14	(10)	5	(17)
Sterling/euro	10	–	16	(10)	8	(20)
Euro/US dollar	10	(1)	(19)	(10)	–	20
Rouble/US dollar	10	(5)	(5)	(10)	5	5

The impact of currency risk on net investment hedges is offset by the translation of overseas subsidiaries on consolidation.

The net impact of currency translation resulted in sales and underlying profit from continuing operations (reducing)/increasing as set out below.

	2014 Sales £m	2014 Underlying operating profit £m	2013 Sales £m	2013 Underlying operating profit £m
US dollar	(123)	(15)	42	5
Euro	(42)	(5)	37	5
Russian rouble	(54)	(16)	(4)	(1)
Other currencies	(35)	(3)	3	(1)
	(254)	(39)	78	8

Interest rates

At 31 December 2014, if the US dollar interest rate were increased by 1% with all other variables held constant, profit before tax would not change (2013: increase by £7m) as a result of US dollar denominated floating rate debt and interest rate and cross currency derivatives. If euro and sterling interest rates were increased by 1% with all other variables held constant, profit before tax would increase by £3m (2013: £nil) as a result of floating debt being swapped into fixed rate debt. A reduction in interest rates would not have a significant effect on profit before tax. There was no significant interest rate risk relating to equity in either year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 FINANCIAL INSTRUMENTS CONTINUED

Commodity prices

At 31 December 2014 and at 31 December 2013 the Group had aluminium commodity contracts that were ineffective from an accounting perspective resulting in fair value movements from the date of the last effective test being recognised in the consolidated income statement. With respect to ineffective aluminium commodity contracts, if the aluminium price was increased or decreased by 10% with all other variables held constant, profit before tax would increase or decrease by £20m (2013: £31m). With respect to cash flow hedged aluminium commodity contracts, if the aluminium price was increased or decreased by 10% with all other variables held constant, equity would increase or decrease by £2m. (2013: £nil).

Equity prices

The Group is not subject to any significant equity price risk.

(e) Liquidity risk

An analysis of undiscounted contractual maturities for non derivative financial liabilities, derivative financial instruments and undrawn committed debt facilities is set out below.

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total contractual amount £m
At 31 December 2014					
Non derivative financial liabilities					
Trade and other payables	(756)	(14)	(32)	(18)	(820)
Bank overdrafts	(17)	–	–	–	(17)
Bank loans	(255)	–	2	–	(253)
US private placements	(20)	(20)	(61)	(552)	(653)
Subordinated bond	(40)	(40)	(87)	(1,774)	(1,941)
Derivative financial instruments					
Derivative contracts – settled gross payments	(422)	(62)	(1,360)	–	(1,844)
Derivative contracts – settled gross receipts	744	119	1,345	–	2,208
Derivative contracts – net settlements	(5)	(2)	–	–	(7)
Commodity contracts	(13)	(3)	–	–	(16)
Undrawn committed debt facilities	–	10	807	–	817
At 31 December 2013					
Non derivative financial liabilities					
Trade and other payables	(650)	(17)	(38)	(34)	(739)
Bank overdrafts	(20)	–	–	–	(20)
Bank loans	(258)	–	–	(22)	(280)
US private placements	(19)	(19)	(58)	(544)	(640)
Subordinated bond	(42)	(42)	(102)	(2,324)	(2,510)
Derivative financial instruments					
Derivative contracts – settled gross payments	(942)	(112)	(1,402)	–	(2,456)
Derivative contracts – settled gross receipts	966	134	1,453	–	2,553
Derivative contracts – net settlements	(3)	(2)	–	–	(5)
Commodity contracts	(23)	(3)	–	–	(26)
Undrawn committed debt facilities	–	–	817	–	817

The subordinated bond has a maturity in 2067 and Rexam has an option to redeem it at par in 2017. The above table assumes that the bond will be redeemed at maturity, which is Rexam's current expectation.

The Group monitors its liquidity to maintain a sufficient level of undrawn committed debt facilities, thereby ensuring financial flexibility. At 31 December 2014, Rexam had £817m of undrawn committed debt facilities available (2013: £817m).

24 FINANCIAL INSTRUMENTS CONTINUED

The Group mitigates refinancing risk by raising its debt requirements from a range of different sources. At 31 December, the range of maturity dates arising on committed debt facilities is set out below.

Maturity date	2014 £m	2013 £m
2014	–	250
2015	250	–
2016	10	10
2018	807	807
2022	369	351
2024	112	106
2067	634	621
	2,182	2,145

Subsequent to 31 December 2014, the maturity with respect to the £807m of facilities maturing in 2018 has been extended up to 22 December 2019, with an option for Group to extend further up to 22 December 2021.

(f) Credit risk

The maximum credit risk exposure of the Group's financial assets at 31 December is represented by the amounts reported under the corresponding balance sheet headings. There are no significant concentrations of credit risk associated with financial instruments of the Group. Credit risk arises from exposures to external counterparties. In order to manage this risk, the Group has strict credit control quality measures that are applied to counterparty institutions and also limits on maximum exposure levels to any one counterparty.

To manage credit risk, the maximum limits for bank exposures held under Group policy are set out in the table below by individual counterparty credit rating category. These limits are used when making investments and for the use of derivative instruments. The table also sets out the Group's financial asset exposure at 31 December for each counterparty credit rating category.

Credit rating	2014 Individual counterparty limit £m	2014 Cash and cash equivalents £m	2014 Derivatives £m	2014 Total £m	2013 Individual counterparty limit £m	2013 Cash and cash equivalents £m	2013 Derivatives £m	2013 Total £m
AA–	35 to 175	8	–	8	35 to 175	4	–	4
A+	28 to 140	71	81	152	28 to 140	66	98	164
A	28 to 140	76	34	110	28 to 140	67	39	106
A–	28 to 140	79	90	169	28 to 140	43	43	86
BBB+ and below	10 to 105	54	–	54	10 to 105	31	62	93
		288	205	493		211	242	453

See note 19 for information on credit risk with respect to customers.

(g) Capital risk management

The Group's objective is to minimise its cost of capital by optimising the efficiency of its capital structure, being the balance between equity and debt. The Group views its ordinary share capital as equity. This objective is always subject to an overriding principle that capital must be managed to ensure the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group is able to adjust its capital structure through the issue or redemption of either debt or equity and by adjustment to the dividend paid to equity holders. The Group uses a range of financial metrics to monitor the efficiency of its capital structure, including its weighted average cost of capital and net debt to EBITDA and ensures that its capital structure provides sufficient financial strength to allow it to secure access to debt finance at reasonable cost.

At 31 December 2014, the Group's net debt to EBITDA for financial covenant purposes was 1.4 times (2013: 1.5 times). The Group aims to keep this ratio below 2.5 times. For this purpose, net debt is broadly net borrowings adjusted to exclude interest accruals, certain derivative financial instruments and an equity portion of the subordinated bond and reflects non sterling amounts at average exchange rates. EBITDA is underlying operating profit after adding back depreciation and amortisation of computer software and adjusted where appropriate to include acquisitions on a pro forma basis and exclude disposed businesses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

24 FINANCIAL INSTRUMENTS CONTINUED

(iii) Derivative financial instruments

The net fair values of the Group's derivative financial instruments designated as fair value or cash flow hedges and those not designated as hedging instruments are set out below.

	2014 Assets £m	2014 Liabilities £m	2014 Total £m	2013 Assets £m	2013 Liabilities £m	2013 Total £m
Fair value hedges						
Cross currency swaps	121	–	121	164	–	164
Cash flow hedges						
Aluminium commodity contracts	1	(4)	(3)	–	–	–
Gas commodity contracts	–	(1)	(1)	–	–	–
Forward foreign exchange contracts	14	(26)	(12)	1	(8)	(7)
	15	(31)	(16)	1	(8)	(7)
Total hedge accounted	136	(31)	105	165	(8)	157
Not hedge accounted						
Aluminium commodity contracts	3	(12)	(9)	3	(31)	(28)
Diesel commodity contracts	–	(1)	(1)	–	–	–
Cross currency swaps	59	(149)	(90)	70	(129)	(59)
Interest rate swaps	–	(6)	(6)	–	(8)	(8)
Forward foreign exchange contracts	7	(4)	3	4	(5)	(1)
Total not hedge accounted	69	(172)	(103)	77	(173)	(96)
Total net fair value of derivative financial instruments	205	(203)	2	242	(181)	61

For derivatives subject to enforceable master netting arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant derivatives when both elect to settle on a net basis. In the absence of such an election, derivatives will be settled on a gross basis. However, each party to the master netting agreement will have the option to settle all such amounts on an offset basis in the event of default of the other party.

Fair value hedges

At 31 December 2014 and 31 December 2013, the Group has designated cross currency swaps as fair value hedges whereby interest is receivable at fixed interest rates of 6.75% and payable at floating rates. These swaps, which mature in 2017, hedge changes in the fair value of the euro subordinated bond which matures in 2067. Net ineffectiveness gains of £4m were included in interest in 2014 (2013: £2m).

Cash flow hedges

At 31 December 2014, the Group has designated forward foreign exchange contracts, some aluminium commodity contracts and gas commodity contracts as cash flow hedges. The forward foreign exchange contracts hedge foreign currency transaction risk and mature between 2015 and 2017. The aluminium and gas commodity contracts hedge future anticipated purchases of aluminium and gas, respectively, and mature between 2015 and 2016.

Not hedge accounted

The Group also has aluminium commodity contracts which were ineffective from an accounting perspective and all fair value movements are recognised in the consolidated income statement. These hedges mature between 2015 and 2017. In addition other derivatives may not qualify for hedge accounting, or are specifically not designated as a hedge where natural offset is more appropriate.

24 FINANCIAL INSTRUMENTS CONTINUED

Net investment hedges

An analysis of the Group's financial instruments designated as net investment hedges with respect to its subsidiaries, principally in the eurozone and the US, is set out below.

	Private placements £m	Subordinated bond £m	Financing derivatives £m	Total £m
At 1 January 2014	(154)	(194)	(9)	(357)
Increase in designations	(216)	–	(244)	(460)
Exchange differences recognised in equity	(24)	12	7	(5)
Disposal of Healthcare	–	2	–	2
At 31 December 2014	(394)	(180)	(246)	(820)

	Medium term notes £m	US public bond £m	Private placements £m	Subordinated bond £m	Financing derivatives £m	Total £m
At 1 January 2013	(272)	(401)	–	–	–	(673)
Decrease/(increase) in designations	288	414	(173)	(201)	(11)	317
Exchange differences recognised in equity	(16)	(13)	19	7	2	(1)
At 31 December 2013	–	–	(154)	(194)	(9)	(357)

An analysis of the notional amounts and maturity dates for derivative financial instruments is set out below.

	Currency	Maturity date	2014 Notional amounts £m	2013 Notional amounts £m
Fair value hedges				
Cross currency swaps	Euro	2017	410	438
Cross currency swaps	Sterling	2017	(354)	(354)
Cash flow hedges				
Forward foreign exchange contracts	US dollar	2015 to 2017	142	163
Forward foreign exchange contracts	Euro	2015	16	–
Forward foreign exchange contracts	Sterling	2015	(36)	(30)
Forward foreign exchange contracts	Swiss franc	2015	1	–
Aluminium commodity contracts	US dollar	2015 to 2016	62	–
Gas commodity contracts	US dollar	2015 to 2016	5	4
Not hedge accounted				
Cross currency swaps	Sterling	2017	354	354
Cross currency swaps	US dollar	2017	(452)	(427)
Cross currency swaps	Euro	2017	(7)	(7)
Interest rate swaps	US dollar	2015 to 2017	753	409
Interest rate swaps	Euro	2015 to 2017	234	167
Forward foreign exchange contracts	US dollar	2015 to 2016	271	360
Forward foreign exchange contracts	Euro	2015	(137)	182
Forward foreign exchange contracts	Sterling	2015	8	6
Aluminium commodity contracts	US dollar	2015 to 2017	197	472
Aluminium premium contracts	US dollar	2015	9	–
Iron ore commodity contracts	US dollar	2015	2	3
Diesel commodity contracts	US dollar	2015 to 2016	10	5
Net investment hedges				
Forward foreign exchange contracts	Euro	2015	(246)	(9)

For forward foreign exchange contracts, there are other currencies traded which have been excluded as the fair values for these contracts were immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

25 RETIREMENT BENEFIT OBLIGATIONS

(i) Summary

	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 2014	(10)	(251)	(46)	(307)	(12)	(319)	(98)	(417)
Exchange differences	–	(17)	5	(12)	1	(11)	(6)	(17)
Service cost – continuing operations	(11)	(10)	(1)	(22)	(4)	(26)	(2)	(28)
Service cost – discontinued operations	–	–	–	–	(1)	(1)	–	(1)
Net interest cost	–	(10)	(2)	(12)	–	(12)	(4)	(16)
Actuarial gains/(losses)	103	(53)	(19)	31	–	31	(5)	26
Cash contributions and benefits paid	7	33	3	43	6	49	9	58
Other movements	–	2	–	2	–	2	–	2
At 31 December 2014	89	(306)	(60)	(277)	(10)	(287)	(106)	(393)
At 1 January 2013	(20)	(323)	(50)	(393)	(16)	(409)	(107)	(516)
Exchange differences	–	3	(2)	1	(1)	–	2	2
Service cost – continuing operations	(12)	(10)	1	(21)	(5)	(26)	(2)	(28)
Service cost – discontinued operations	–	(1)	–	(1)	(2)	(3)	–	(3)
Net interest cost	(1)	(11)	–	(12)	–	(12)	(4)	(16)
Actuarial gains	15	55	1	71	–	71	4	75
Cash contributions and benefits paid	8	34	4	46	7	53	9	62
Other movements	–	2	–	2	5	7	–	7
At 31 December 2013	(10)	(251)	(46)	(307)	(12)	(319)	(98)	(417)

	2014 £m	2013 £m
Gross retirement benefit obligations	(393)	(417)
Tax	135	129
Net retirement benefit obligations	(258)	(288)

(ii) Defined benefit pension plans

The Group sponsors various defined benefit pension plans, the largest being the funded plans in the UK and the US. There are also unfunded defined benefit plans in the US, Sweden and Germany and a funded defined benefit plan in Ireland.

UK defined benefit plan

The UK defined benefit plan is based on revalued career average earnings for members. It is governed by a board of trustees which is responsible for the management, administration, funding and investment strategy. The plan was closed to new entrants in 2011. The duration of the plan's liabilities is approximately 20 years.

The trustees are drawn partly from nominees of Rexam PLC, which also appoint the chairman, and partly from the plan's membership, as member nominated trustees. It is Rexam's expectation that the composition of the trustees will remain at 50% member nominated, excluding the chairman of the trustees.

25 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The plan is subject to a statutory funding objective, as set out in UK pensions legislation. The trustees must obtain regular actuarial valuations to check whether the statutory funding objective is met, and whether a recovery plan is needed to restore funding to the level of the technical provisions. A full actuarial valuation by a qualified actuary was carried out as at 31 March 2014. The preliminary results of that valuation have been used to calculate the liabilities on an accounting basis as at 31 December 2014. The results are currently in the process of being finalised by the trustees and Rexam. The next full actuarial valuation will be carried out no later than 31 March 2017. In 2012 the trustees 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 depending on the funding position of the plan. If there is a change of control with a subsequent material decline in Rexam's credit rating or a material deterioration in Rexam's financial covenant, the escrow would be paid into the plan. An extension to the escrow arrangement beyond 2017 is currently being discussed alongside the 2014 actuarial valuation results. On an accounting basis at 31 December 2014 the plan was 104% funded (2013: 99%).

In 2009, Rexam PLC entered into a security agreement with the trustees, granting the plan a charge over the UK beverage can facilities and machinery at Milton Keynes and Wakefield which is enforceable up to 31 December 2017 in the event of a contribution default or a material decline in Rexam's financial covenant.

Investment strategy is the responsibility of the trustees, with implementation powers delegated to an investment committee. This investment committee includes employer representatives. A strategy has been agreed to reduce the mismatch between the assets and liabilities, with planned regular switches from growth assets into bonds. The switches may be accelerated under certain market conditions and triggers apply based on both funding level and market indices. Hedging covering 80% of interest rate risk and 80% of inflation risk is currently in place.

The plan has been gender equalised following the European 'Barber' equalisation regulations in 1990, although Guaranteed Minimum Pensions (GMPs) held in the plan in respect of members contracted out of the State Earnings Related Pension Scheme between 1978 and 1997 have not themselves been equalised, as the UK government is yet to confirm how GMP equalisation is to be achieved.

US defined benefit plan

The US defined benefit plan is based on final average pay or flat dollar benefits to union and non union hourly members. Benefits were frozen for salaried members in 2006. The duration of the plan's liabilities is approximately 10 years.

Plan oversight is provided by the US pension and benefits committee and the US investment committee, which are responsible for its management, administration, funding and investment strategy. Both committees consist entirely of employees of the Group, nominated by Rexam Inc, a subsidiary of Rexam PLC.

A full actuarial valuation by a qualified actuary is carried out annually, the latest being as at 1 January 2014. This valuation determines the plan's funding ratio and calculates the minimum required contributions for the year ahead based on US government requirements. The minimum contributions reflect the normal cost for benefits expected to be earned in the upcoming year, expected plan expenses including premiums to the Pension Benefit Guaranty Corporation, and additional contributions required to bring plan funding to 100%, typically over a seven year period. The calculations reflect the fair value of plan assets and actuarial liabilities based on government prescribed discount rates and mortality assumptions. At 1 January 2014, the ratio of plan assets to actuarial liabilities on the government funding basis equalled 103% (2013: 107%). The minimum required contributions for the 2014 plan year were \$14.5m (2013: \$nil). In 2014, \$50m was paid into the plan (2013: \$50m) and it is expected that this level of funding will continue in the medium term. On an accounting basis at 31 December 2014 the plan was 81% funded (2013: 83%).

The US investment committee has been designated by Rexam Inc as a named fiduciary of the trust assets. It adopted a strategy to minimise funded status volatility by matching at least 90% of the movement in the plan liabilities due to interest rate and credit spread fluctuations while generating returns consistent with the liability growth rate. As part of the strategy, in 2014 the plan achieved a 15% equity exposure (2013: 15%), mainly through derivatives. The multiple fixed income managers employed by the investment committee invest predominantly in corporate and government bonds as their primary objective is to avoid securities that will be downgraded or will default, with a secondary objective of outperforming their mutually agreed benchmarks.

Other defined benefit plans

The Group also operates unfunded plans in the US, Sweden and Germany and a funded plan in Ireland. Their legal status and control varies depending on the conditions and practices in the countries concerned. At 31 December 2014, the net liability of all these plans on an accounting basis was £111m (2013: £91m).

The past service credit of £2m in 2013 was in respect of the Irish plan and resulted from conversion from a final salary to a career average plan.

Risk management

The Group's retirement benefit risk management for defined benefit pension plans is overseen by the Rexam retirement benefits committee. This committee manages pension deficit volatility on the balance sheet and general risks within the plans, including equity, interest rate and inflation risk. In general, trustees or similar bodies manage the defined benefit plans and set the required contribution rates based on independent actuarial advice in accordance with local regulations. The Group seeks to actively mitigate the risks associated with its plans. The Group seeks a good working relationship with the trustees through regular meetings and pension matters are regularly reported to the Rexam Board. The trustees cannot unilaterally wind up the plans nor do they have unilateral power to demand contributions or set contribution rates without employer consent. There are no significant risks of immediate debt payments to the plans and there is no self investment.

There is a risk that changes in discount rates, price inflation, asset returns or mortality assumptions could lead to a material deficit. Given the long term time horizon of the pension plan cash flows, the assumptions used are uncertain. The assumptions can also be volatile from year to year due to changes in investment market conditions. A higher pension deficit could directly impact the Group's equity valuation, credit rating and may lead to additional funding requirements in future years. Any deficit relative to the actuarial liability for funding purposes, which may differ from the funding position on an accounting basis, will generally be financed over a period that ensures the contributions are reasonably affordable to Rexam PLC and in line with local regulations. Contingent contribution payment commitments from the escrow account may also become more likely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

	UK 2014 £m	US 2014 £m	Other 2014 £m	Total 2014 £m	UK 2013 £m	US 2013 £m	Other 2013 £m	Total 2013 £m
Amounts recognised in the consolidated balance sheet								
Fair value of plan assets	2,154	1,108	21	3,283	1,893	987	19	2,899
Present value of funded obligations	(2,065)	(1,363)	(33)	(3,461)	(1,903)	(1,193)	(24)	(3,120)
Funded defined benefit pension plans	89	(255)	(12)	(178)	(10)	(206)	(5)	(221)
Present value of unfunded obligations	–	(51)	(48)	(99)	–	(45)	(41)	(86)
Net asset/(liability)	89	(306)	(60)	(277)	(10)	(251)	(46)	(307)
Changes in the fair value of plan assets								
At 1 January	1,893	987	19	2,899	1,834	1,092	15	2,941
Exchange differences	–	60	(1)	59	–	(14)	(1)	(15)
Plan administration expenses	(3)	(5)	–	(8)	(3)	(4)	–	(7)
Interest on plan assets	84	41	–	125	79	36	2	117
Actuarial changes arising on plan assets	245	83	2	330	43	(58)	1	(14)
Employer contributions	7	30	1	38	8	32	2	42
Plan participant contributions	2	–	–	2	2	–	–	2
Benefits paid	(74)	(88)	–	(162)	(70)	(97)	–	(167)
At 31 December	2,154	1,108	21	3,283	1,893	987	19	2,899
Changes in the present value of defined benefit pension obligations								
At 1 January	(1,903)	(1,238)	(65)	(3,206)	(1,854)	(1,415)	(65)	(3,334)
Exchange differences	–	(77)	6	(71)	–	17	(1)	16
Current service cost – continuing operations	(8)	(5)	(1)	(14)	(9)	(6)	(1)	(16)
Current service cost – discontinued operations	–	–	–	–	–	(1)	–	(1)
Past service credit	–	–	–	–	–	–	2	2
Interest on plan liabilities	(84)	(51)	(2)	(137)	(80)	(47)	(2)	(129)
Actuarial changes arising from financial assumptions	(222)	(86)	(21)	(329)	(28)	137	1	110
Actuarial changes arising from demographic assumptions	–	(39)	–	(39)	–	(20)	–	(20)
Actuarial changes arising from experience assumptions	80	(11)	–	69	–	(4)	(1)	(5)
Plan participant contributions	(2)	–	–	(2)	(2)	–	–	(2)
Benefits paid	74	91	2	167	70	99	2	171
Other movements	–	2	–	2	–	2	–	2
At 31 December	(2,065)	(1,414)	(81)	(3,560)	(1,903)	(1,238)	(65)	(3,206)

25 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

	UK 2014 £m	US 2014 £m	Other 2014 £m	Total 2014 £m	UK 2013 £m	US 2013 £m	Other 2013 £m	Total 2013 £m
Major categories of plan assets								
Quoted equities	222	–	–	222	398	–	–	398
Government bonds	952	7	–	959	600	12	5	617
Corporate bonds	–	662	–	662	–	531	–	531
Other bonds	–	36	–	36	–	27	–	27
Total bonds	952	705	–	1,657	600	570	5	1,175
Equities	384	54	14	452	380	38	13	431
Corporate and government bonds	310	295	7	612	432	317	–	749
Property	131	–	–	131	97	–	–	97
Diversified growth fund	99	–	–	99	–	–	–	–
Other	–	37	–	37	–	45	–	45
Total held in managed funds	924	386	21	1,331	909	400	13	1,322
Derivatives	39	–	–	39	(48)	–	–	(48)
Cash and cash equivalents	17	17	–	34	34	17	1	52
	2,154	1,108	21	3,283	1,893	987	19	2,899

Principal actuarial assumptions

	UK 2014 %	US 2014 %	Other 2014 %	UK 2013 %	US 2013 %	Other 2013 %
Discount rate	3.70	3.60	2.34	4.50	4.30	3.93
Future pension increases	3.20	–	1.19	3.50	–	1.26
Future salary increases	4.70	4.00	2.81	5.00	4.00	2.82
Inflation rate	3.20	2.50	2.00	3.50	2.50	2.00

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, projected using the CMI 2009 model with a 1.25% per annum long term rate of improvement. These tables are adjusted to reflect the circumstances of the plan membership. The life expectancy assumed for a 65 year old pensioner is 87.2 years (2013: 87.1 years) for a male and 89.4 years (2013: 89.3 years) for a female. The life expectancy for a non pensioner currently aged 45 is 89.0 years (2013: 88.9 years) for a male and 91.2 years (2013: 91.1 years) for a female.

The mortality assumptions used in valuing the liabilities of the US pension plans for 2014 are as follows. Pre retirement mortality is based on MRP-2007 tables with generational projection using scale MSS-2007. Post retirement mortality is based on the Mercer Industry Longevity Experience Study (MILES-2010) combined collar tables for Auto, Industrial Goods and Transportation (AIGT) companies, with one year set forward for females and with generational projection using scale MSS-2007 applied from 2010. The life expectancy assumed for a 65 year old pensioner is 85.5 years for a male and 87.1 years for a female. The life expectancy for a non pensioner currently aged 40 is 87.0 years for a male and 88.5 years for a female.

In 2013, the mortality assumptions used were based on the RP2000 combined active and retiree mortality table projected to 2023, weighted 70% blue collar and 30% white collar. The life expectancy assumed for a 65 year old pensioner was 84.1 years for a male and 86.0 years for a female.

The UK defined benefit pension plan discount rate assumption for 2014 is based on the single equivalent discount rate implied by the Mercer Yield Curve, UK – Extended Dataset model. In 2013, the discount rate was based on the single equivalent discount rate implied by the Mercer Yield Curve, UK – Index Constituents model. This Extended Dataset model has been adopted because it is more stable and sustainable. The impact of this change was to reduce the 2014 present value of defined benefit pension obligations by £36m. There was no impact on the 2014 consolidated income statement.

The Group expects to contribute £44m in cash to its defined benefit pension plans in 2015, excluding any amounts paid into escrow.

IFRIC 14 'IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' had no impact on the Group in 2014 or 2013.

(iii) Other pension plans

The Group operates defined contribution plans in the UK and US, included as part of other pensions in (i) above, for which the charge in the consolidated income statement for the year was £3m for continuing operations and £1m for discontinued operations (2013: £4m and £2m) and total cash contributions were £4m (2013: £6m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

25 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(iv) Retiree medical

The Group operates a defined benefit retiree medical and life insurance plan in the US for certain segments of the retiree population. Plan oversight is provided by the US pension and benefits committee. Before reaching Medicare eligibility (generally age 65), the plan provides benefits similar to medical coverage as for active employees, but generally with a higher level of participant contributions. After Medicare eligibility is reached, most retirees receive a flat dollar allowance to help with the cost of privately purchased benefits or with government Medicare contributions.

There is a risk that changes in discount rates and life expectancy assumptions could lead to a material increase in liabilities for plan benefits. These unfunded benefits are assessed with the advice of a qualified actuary.

	2014 £m	2013 £m
Changes in the present value of the retiree medical obligation		
At 1 January	(98)	(107)
Exchange differences	(6)	2
Current service cost (including administration costs of £1m (2013: £1m))	(2)	(2)
Interest cost	(4)	(4)
Actuarial changes arising from financial assumptions	(5)	9
Actuarial changes arising from demographic assumptions	(2)	(5)
Actuarial changes arising from experience assumptions	2	–
Benefits paid	9	9
At 31 December	(106)	(98)

Principal actuarial assumptions

	2014 %	2013 %
Discount rate	3.60	4.30

The mortality assumptions used in valuing the liabilities for retiree medical in 2014 are the same as those for the US pension plans set out in section (ii) above. In 2013, the mortality assumptions used were based on the RP2000 combined active and retiree mortality table projected to 2023, weighted 85% blue collar and 15% white collar. The life expectancy assumed for a 65 year old pensioner was 83.9 years for a male and 85.8 years for a female.

Healthcare cost trend rates do not have a significant impact on the Group with respect to retiree medical.

(v) Sensitivities

The following sensitivity analysis sets out the impact on plan assets and plan liabilities of changes in the principal assumptions for defined benefit pension plans and retiree medical combined.

	2014 £m	2013 £m
Reduction in plan assets		
Equity values fall by 10%	(70)	(95)
Increase in plan liabilities		
Discount rates fall by 0.5%	(50)	(65)
Life expectancy increases by one year	(120)	(100)

26 PROVISIONS

	Environmental compliance £m	Restructuring of businesses £m	Onerous leases £m	Indirect tax exposures £m	Share based payment £m	Other £m	Total £m
At 1 January 2014	(19)	(7)	(21)	(29)	(27)	(3)	(106)
Exchange differences	–	–	(1)	2	–	–	1
Charge for the year	(2)	(8)	(1)	(4)	(5)	(2)	(22)
Release for the year	–	–	3	–	–	–	3
Utilised	2	9	2	–	20	–	33
Other movements	–	–	–	–	(1)	(5)	(6)
At 31 December 2014	(19)	(6)	(18)	(31)	(13)	(10)	(97)
Current liabilities	(3)	(4)	(2)	–	(9)	–	(18)
Non current liabilities	(16)	(2)	(16)	(31)	(4)	(10)	(79)
At 31 December 2014	(19)	(6)	(18)	(31)	(13)	(10)	(97)
Current liabilities	(3)	(4)	(1)	–	(20)	–	(28)
Non current liabilities	(16)	(3)	(20)	(29)	(7)	(3)	(78)
At 31 December 2013	(19)	(7)	(21)	(29)	(27)	(3)	(106)

Environmental compliance relates to the US and France and is long term in nature with the timing of utilisation unknown due to the need to complete remedial investigations, to negotiate remedial plans with relevant authorities and to implement agreed plans. The provision for restructuring of businesses comprises £2m relating to the disposal of Plastics businesses and £4m relating to Beverage Cans. Onerous leases relate to leases retained following the disposal of Plastics. The timing of payments is dependent on lease payment schedules together with related carrying costs and sublease income, if any. Indirect tax exposures relate to Brazil and are long term in nature, with the timing of payment, if any, dependent upon the outcome of tax cases and exposures. Share based payment relates to cash settled share option schemes which, dependent upon various performance criteria being met, will be paid over the period up to September 2024. Other provisions relate to various legal and other legacy claims.

27 SHARE CAPITAL

	Ordinary shares of 80 ⁵ / ₁₄ p	Ordinary shares of 71 ³ / ₇ p	B shares of 57p	C shares of 0.0001p	Deferred shares of 0.0001p
Number of issued and fully paid shares (000's)					
At 1 January 2014	–	791,961	–	–	–
Shares issued from share premium account	–	–	316,109	475,874	–
Eight for nine share consolidation	703,985	(791,983)	–	–	–
Reclassification of C shares to deferred shares	–	–	–	(475,874)	475,874
Initial redemption of B shares	–	–	(314,043)	–	–
Redemption of deferred shares	–	–	–	–	(475,874)
Shares issued under share option schemes	822	22	–	–	–
At 31 December 2014	704,807	–	2,066	–	–

	2013 Ordinary shares of 71 ³ / ₇ p	2013 Ordinary shares of 64 ² / ₇ p	2013 B shares of 45p	2013 Deferred shares of 45p
Number of issued and fully paid shares (000's)				
At 1 January 2013	–	878,379	–	–
B shares issued from share premium account	–	–	878,384	–
Nine for ten share consolidation	790,546	(878,384)	–	–
Reclassification of B shares to deferred shares	–	–	(585,302)	585,302
Initial redemption of B shares	–	–	(284,811)	–
Redemption of deferred shares	–	–	–	(585,302)
Final redemption of B shares	–	–	(8,271)	–
Shares issued under share option schemes	1,415	5	–	–
At 31 December 2013	791,961	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

27 SHARE CAPITAL CONTINUED

On 13 May 2014, Rexam PLC announced a return of cash to shareholders of 57p per existing ordinary share by way of one new B share or one new C share for every existing ordinary share held. In addition, the return of cash was accompanied by a consolidation of the existing ordinary shares in the ratio of eight new ordinary shares for every nine existing ordinary shares held. Rexam PLC's issued ordinary share capital following the share capital consolidation on 2 June 2014 was 703,985,000 shares of 80¼ each. Following approval of the return of cash by shareholders on 29 May 2014, 316,109,000 B shares and 475,874,000 C shares were issued. On 9 June 2014, a dividend of 57p per share became payable on 475,874,000 C shares at a cost of £271m and these shares were reclassified as deferred shares. On the same day, 314,043,000 B shares became redeemable for 57p per share at a cost of £179m. The deferred shares were redeemed on 12 June 2014. The remaining 2,066,000 B shares will be redeemed in 2015 at a cost of £1m, giving an overall cost of the transaction of £451m, of which £450m was incurred in 2014.

The rights and restrictions attaching to the shares and the provisions relating to the transfer of shares are as governed by law and in accordance with the Company's articles of association. Holders of ordinary shares are entitled to receive all shareholder documents, to attend, speak and exercise voting rights, either in person or by proxy, on resolutions proposed at general meetings and to participate in any distribution of income or capital. The directors may refuse to register a transfer of shares where such transfer documents are not lodged by acceptable means or proof of title is required. Shares are held by the Rexam Employee Share Trust for the satisfaction of certain share options (note 29). The independent trustee of the Rexam Employee Share Trust has the same rights as any other shareholder. Participants in option schemes do not hold any voting rights on the shares until the date of exercise. There are no restrictions on the voting rights of holders of shares nor any known agreements between holders of shares under which financial rights are held by any person other than the registered holder, or voting rights or the transfer of shares are restricted.

28 OTHER RESERVES

	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Total £m
At 1 January 2014	110	(62)	7	55
Exchange differences before recognition of net investment hedges	(85)	–	(14)	(99)
Net investment hedges recognised	–	(5)	–	(5)
Exchange differences recognised in the income statement on disposal of Healthcare	(154)	2	–	(152)
Cash flow hedges recognised	–	–	(27)	(27)
Cash flow hedges transferred to inventory	–	–	12	12
Cash flow hedges transferred to the income statement	–	–	7	7
Tax on cash flow hedges	–	–	(2)	(2)
At 31 December 2014	(129)	(65)	(17)	(211)
At 1 January 2013	147	(61)	7	93
Exchange differences before recognition of net investment hedges	(37)	–	–	(37)
Net investment hedges recognised	–	(1)	–	(1)
Cash flow hedges recognised	–	–	(45)	(45)
Cash flow hedges transferred to inventory	–	–	54	54
Cash flow hedges transferred to property, plant and equipment	–	–	(1)	(1)
Cash flow hedges transferred to the income statement	–	–	(7)	(7)
Tax on cash flow hedges	–	–	(1)	(1)
At 31 December 2013	110	(62)	7	55

29 SHARE BASED PAYMENT

(i) Summary of Rexam's share based payment schemes

Scheme name	Abbreviation	Scheme status	Settlement basis
Long Term Incentive Plan 2009	LTIP	Open	Equity and cash
Savings Related Share Option Schemes	SAYE	Open	Equity
Executive Share Option Scheme	ESOS	Closed	Equity
Phantom Stock Plan	Phantoms	Closed	Cash

LTIP

The LTIP is the primary long term incentive plan for Rexam's executive directors, band 1 and 2 executives and other senior management. The LTIP measures performance targets over a three year period. Options will normally vest, subject to performance targets being achieved, on the third anniversary of the date of grant at a nominal cost to the employee. Employees who leave with a right to exercise options must normally wait until the end of the measurement period. If the option vests, the employee will receive an entitlement which normally will be time apportioned for the period from the start of the measurement period to the date on which employment ended.

Options granted in 2014 to executive directors and band 1 and 2 executives are subject to two performance conditions, compound annual growth in underlying earnings per share (EPS) and relative Total Shareholder Return (TSR), in the proportion 75% and 25%, respectively. The EPS element has a return on capital employed underpin. These options are equity settled. Options granted in 2014 to other senior management are subject to 100% EPS. These options are cash settled.

Options include a dividend equivalent element whereby employees will be entitled to receive, in cash, the notional dividends paid during the measurement period on any options that vest.

For further details of the LTIP refer to the directors' remuneration report.

SAYE

All employee SAYE schemes are open to eligible employees resident in the UK and Ireland. Annual grants of options over shares are currently made at an exercise price of 80% of the market value of Rexam shares at the invitation date. Options vest three, five or seven years after the commencement of the savings contract, depending on the term selected by the employee at grant and expire six months after vesting.

ESOS

Prior to 2009, annual grants of options over ordinary shares were made to certain senior management. For grants up to and including 2006, shares vested if a performance target (growth in economic profit) was met over the three year measurement period. No performance targets were set for the 2007 and 2008 grants. Options are exercisable three years after grant date and expire ten years after grant date. The exercise price was set at market value using the market price of a Rexam share at the grant date.

Phantoms

This cash settled scheme operates in the same way as the ESOS scheme and relates to certain senior management located outside the UK and Europe.

(ii) Employee benefit expense

	2014 £m	2013 £m
<i>Continuing operations</i>		
Equity settled	7	8
Cash settled	4	15
Total continuing operations	11	23
<i>Discontinued operations</i>		
Cash settled	1	2
Total operations	12	25

(iii) Key assumptions used in valuing options granted during the year

	LTIP	SAYE
Valuation models	TSR – Monte Carlo EPS/ROCE – Black Scholes	Binomial
Expected dividend growth (%)	–	3.31
Expected historical volatility (%)	TSR – 20 to 21	20 to 23
Risk free interest rate (%)	TSR – 0.9 to 1.3	1.4 to 1.8
Expected life (years)	3	3.25 to 5.25
Weighted average share price (£)	4.91 to 5.00	5.00
Weighted average fair value (£)	2.14 to 5.00	0.96 to 1.12

The assumptions made to incorporate the effects of expected early exercise have been included by assuming an expected option life based on historical exercise patterns for each option scheme. Historical volatilities are arrived at using a period comparable with the expected life of the option. The correlation coefficient for LTIP is calculated using the correlation matrix for the TSR simulation using three year daily historical stock price series for each company in the comparator group, including Rexam, from the beginning of the measurement period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

29 SHARE BASED PAYMENT CONTINUED

(iv) Number of options and weighted average exercise prices of all option schemes

	2014 Number of options Thousands	2014 Weighted average exercise price £	2013 Number of options Thousands	2013 Weighted average exercise price £
Outstanding at 1 January	23,292	0.42	32,134	0.54
Granted	6,112	0.21	6,090	0.13
Exercised	(7,592)	0.42	(12,108)	0.65
Lapsed	(3,173)	0.10	(2,824)	0.16
Outstanding at 31 December	18,639	0.40	23,292	0.42
Exercisable at 31 December	961	3.98	1,404	4.12

(v) Exercise prices and average remaining contractual lives of options by scheme

	2014 Number of options Thousands	2014 Range of exercise prices £	2014 Weighted average remaining contractual life Years	2013 Number of options Thousands	2013 Range of exercise prices £	2013 Weighted average remaining contractual life Years
LTIP	16,651	–	4.3	20,501	–	2.3
SAYE	1,107	2.12 to 4.11	2.3	1,408	2.12 to 4.11	2.2
ESOS	530	3.84 to 4.58	2.8	830	3.61 to 4.58	3.8
Phantoms	351	3.60 to 4.57	2.9	553	3.60 to 4.57	3.9

(vi) Rexam Employee Share Trust

The Group operates an employee share trust, the Rexam Employee Share Trust, that owns 3,259,722 ordinary shares of 80½p in Rexam PLC at 31 December 2014 (2013: 5,828,757 ordinary shares of 71½p) acquired at an average cost per share of £4.89 (2013: £4.91) and included in the consolidated balance sheet within retained earnings at a cost of £16m (2013: £29m). These shares will be used to satisfy future LTIP exercises. The purchases are funded by cash contributions from participating companies. Dividends receivable during the year have been waived. The administration expenses of the Trust are borne by the Trust. Shares are allocated by the Trust when related LTIP options are exercised. The market value of the shares at 31 December 2014 was £15m (2013: £31m). There is £2m of cash in the Trust resulting from the return of cash to shareholders.

30 RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2014 Continuing operations £m	2014 Discontinued operations £m	2014 Total operations £m	2013 Continuing operations £m	2013 Discontinued operations £m	2013 Total operations £m
Profit/(loss) before tax	343	27	370	339	(180)	159
Adjustments for:						
Share of post tax profits of associates and joint ventures	(10)	–	(10)	(9)	–	(9)
Net interest expense	53	–	53	71	2	73
Depreciation of property, plant and equipment	136	–	136	137	11	148
Amortisation of intangible assets	6	–	6	8	9	17
Movement in working capital	14	(43)	(29)	(49)	(2)	(51)
Movement in advance payments to customers	(19)	–	(19)	9	(2)	7
Movement in provisions	(13)	(4)	(17)	(21)	(15)	(36)
Movement in retirement benefit obligations	(13)	–	(13)	(16)	1	(15)
Fair value changes on operating derivatives	(2)	–	(2)	22	–	22
Equity settled share options	7	–	7	8	–	8
Loss/(gain) on disposal of fixed assets	5	(2)	3	4	–	4
Impairment	–	–	–	2	233	235
Other adjustments	13	–	13	1	1	2
Cash generated from operations	520	(22)	498	506	58	564

31 CONTINGENT LIABILITIES

In an international group a variety of claims arise from time to time; some have little or no foundation in law or in fact and others cannot be quantified. The claims include litigation against Group companies, investigations by regulatory and fiscal authorities and obligations arising under environmental legislation. Provision has been made in these consolidated financial statements against those claims which the directors consider are likely to result in significant liabilities. There are no contingent liabilities at 31 December 2014 or 31 December 2013 that require disclosure.

32 COMMITMENTS**(i) Operating lease commitments**

The Group leases offices, warehouses and plant and equipment under non cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights. The Group also leases plant and equipment under cancellable operating leases.

An analysis of the total future minimum lease payments under non cancellable operating leases for total operations is set out below.

	2014 Property £m	2014 Plant and equipment £m	2013 Property £m	2013 Plant and equipment £m
Less than 1 year	14	3	18	3
Between 1 and 5 years	29	4	37	6
Over 5 years	36	–	36	–
Total	79	7	91	9

Total future minimum sublease receipts under non cancellable operating leases are £12m (2013: £9m).

(ii) Capital commitments

	2014 £m	2013 £m
Contracts placed for future capital expenditure not provided in the consolidated financial statements:		
Property, plant and equipment	69	73

33 POST BALANCE SHEET EVENTS

On 15 January 2015, Rexam announced that it had, jointly with Envases Universales de Mexico, acquired a 50% interest in Envases del Istmo SA (Endelis), a single line beverage can plant in Colón, Panama.

On 22 January 2015, the Group completed the acquisition of United Arab Can Manufacturing Limited, a Saudi Arabian beverage can maker, for \$122m. Due to timing of the completion of the acquisition, fair values are not presented and will be finalised in 2015. Principal fair value adjustments are likely to be in relation to the recognition of customer contracts and relationships and the revaluation of property, plant and equipment.

On 19 February 2015, the Board recommended an offer received from Ball Corporation of 407p in cash and 0.04568 of a new Ball share, representing in aggregate 628p per Rexam ordinary share at that date.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
<i>Consolidated income statement</i>					
<i>Continuing operations</i>					
Sales	3,832	3,943	3,885	3,786	3,664
Underlying operating expenses	(3,414)	(3,494)	(3,437)	(3,359)	(3,297)
Underlying operating profit	418	449	448	427	367
Underlying share of post tax profits of associates and joint ventures	10	9	9	9	5
Retirement benefit obligations net interest cost	(16)	(16)	(19)	(21)	(23)
Underlying net interest expense	(52)	(70)	(80)	(90)	(111)
Underlying profit before tax	360	372	358	325	238
Exceptional and other items ¹	(17)	(33)	(39)	16	(23)
Profit before tax	343	339	319	341	215
Tax	(76)	(86)	(77)	(91)	(56)
Profit for the financial year from continuing operations	267	253	242	250	159
<i>Discontinued operations</i>					
Profit/(loss) for the financial year from discontinued operations	90	(158)	(36)	117	(46)
Total profit for the financial year	357	95	206	367	113

As at 31 December	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
<i>Consolidated balance sheet</i>					
Goodwill and other intangible assets	1,244	1,266	1,813	2,177	2,231
Property, plant and equipment	1,275	1,257	1,459	1,590	1,571
Retirement benefit obligations (net of tax)	(258)	(288)	(355)	(371)	(317)
Other net assets	251	805	151	235	524
Underlying net assets	2,512	3,040	3,068	3,631	4,009
Shareholders' equity	1,414	1,869	2,287	2,319	2,322
Non controlling interests	–	–	–	–	3
Total equity	1,414	1,869	2,287	2,319	2,325
Net borrowings	1,098	1,171	781	1,312	1,684
Capital employed	2,512	3,040	3,068	3,631	4,009

<i>Statistics</i>						
Underlying return on sales ²	%	10.9	11.4	11.5	11.3	10.0
Underlying earnings per share ²	Pence	37.2	35.3	31.2	27.4	20.4
Basic earnings per share ³	Pence	36.2	32.0	27.8	28.7	18.3
Dividends per ordinary share ⁴	Pence	17.7	17.4	15.2	14.4	12.0
Interest cover ⁵	Times	8.0	6.4	5.6	4.7	3.3
Free cash flow ³	£m	225	180	207	276	238
Capital expenditure (gross) ⁶	£m	211	232	291	240	206
Return on net assets ⁷	%	27.1	30.4	30.8	29.1	26.6
Return on capital employed ⁸	%	14.9	15.5	14.5	13.5	12.2
Gearing	%	78	63	34	57	72
Average number of employees ³	Number	8,000	8,000	7,800	7,700	7,600

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

2 Based on continuing operations before exceptional and other items.

3 Based on continuing operations.

4 Includes proposed final dividends.

5 Based on underlying operating profit from continuing operations and underlying net interest expense from continuing operations.

6 Based on total operations.

7 Underlying operating profit from total operations plus share of post tax profits of associates and joint ventures divided by the average of opening and closing shareholders' equity after adding back retirement benefit obligations (net of tax) and net borrowings and excluding goodwill and certain acquired intangible assets.

8 Underlying operating profit from total operations plus share of post tax profits of associates and joint ventures divided by the average of opening and closing shareholders' equity after adding back retirement benefit obligations (net of tax) and net borrowings.

COMPANY FINANCIAL STATEMENTS

Company financial statements:

Independent auditors' report to the members of Rexam PLC	144
Rexam PLC balance sheet	146

Notes to the Company financial statements:

Note 1 Principal accounting policies	147
Note 2 Employee costs and numbers	148
Note 3 Equity dividends	148
Note 4 Tangible assets	149
Note 5 Investments in subsidiaries	149
Note 6 Debtors receivable within one year	150
Note 7 Other creditors	150
Note 8 Borrowings	150
Note 9 Derivative financial instruments	151
Note 10 Operating lease commitments	151
Note 11 Contingent liabilities	151
Note 12 Capital and reserves	152
Note 13 Share based payment	153

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REXAM PLC

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, Rexam PLC's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Rexam PLC's financial statements comprise:

- the balance sheet as at 31 December 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 84, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OTHER MATTER

We have reported separately on the group financial statements of Rexam PLC for the year ended 31 December 2014.

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 March 2015

REXAM PLC BALANCE SHEET

As at 31 December	notes	2014 £m	2013 £m
Fixed assets			
Tangible assets	4	8	8
Investments in subsidiaries	5	5,295	5,275
Pension escrow investment		40	25
Derivative financial instruments	9	161	215
		5,504	5,523
Current assets			
Debtors receivable within one year	6	13	19
Derivative financial instruments	9	29	29
Cash at bank and in hand		121	102
		163	150
Creditors: amounts falling due within one year			
Borrowings	8	(270)	(271)
Derivative financial instruments	9	(10)	(14)
Other creditors	7	(451)	(394)
		(731)	(679)
Net current liabilities		(568)	(529)
Total assets less current liabilities		4,936	4,994
Creditors: amounts falling due after more than one year			
Borrowings	8	(1,124)	(1,156)
Derivative financial instruments	9	(151)	(133)
Other creditors	7	(743)	(767)
		(2,018)	(2,056)
Provisions for liabilities and charges		(3)	(4)
Net assets		2,915	2,934
Capital and reserves			
Ordinary share capital		567	566
Non equity B shares		1	–
Share premium account		424	602
Capital redemption reserve		925	746
Profit and loss reserve		843	865
Other reserves		155	155
Total capital and reserves	12	2,915	2,934

The Company financial statements on pages 146 to 153 were authorised for issue by the board of directors on 12 March 2015.

Graham Chipchase, chief executive

David Robbie, finance director

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements of Rexam PLC are prepared under UK GAAP on a going concern basis using the historical cost convention as modified by the revaluation of certain financial instruments and share based payment and in accordance with applicable accounting standards. As permitted by section 408 of the Companies Act 2006, the profit and loss account is not presented.

Foreign currencies

All exchange differences arising on foreign currencies are taken to the profit and loss account.

Interest

Interest on cash and borrowings held at amortised cost is recognised in the profit and loss account using the effective interest method. Interest includes exchange differences arising on cash and borrowings, all fair value gains and losses on derivative financial instruments, and corresponding adjustments to hedged items under designated fair value hedging relationships, where they relate to financing activities and are recognised in the profit and loss account.

Retirement benefits

The pension rights of Rexam PLC employees are dealt with through a self administered scheme, the assets of which are held independently of the Group. The scheme is a defined benefit scheme that is funded partly by contributions from members and partly by contributions from Rexam PLC and its subsidiaries at rates advised by independent professionally qualified actuaries. In accordance with FRS17, Rexam PLC accounts for its contributions as though it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover Rexam PLC and a number of its subsidiaries and the deficit cannot be split between each subsidiary on a consistent and reasonable basis, as the scheme has a large number of members who were employed by companies which are no longer in existence or are no longer part of the Group. An actuarial valuation at a Group level on an FRS17 basis has not been performed, but a surplus at 31 December 2014 of £89m (2013: deficit of £10m) has been calculated in accordance with IAS19. Further details of the scheme and the surplus can be found in note 25 to the consolidated financial statements.

Share based payment

Rexam PLC operates various equity settled share option schemes. The services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' funds. Equity settled share options granted directly to subsidiary company employees are treated as a capital contribution to the subsidiary. The capital contribution is measured by reference to the fair value of the share options and recognised as an increase in the cost of investment with a corresponding increase in shareholders' funds. The recognition of the fair value is based on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Vesting conditions, which comprise service conditions and non market performance conditions, are not taken into account when estimating the fair value. All market and non vesting conditions are included in fair value. The Rexam Employee Share Trust holds shares in Rexam PLC which are presented in the balance sheet as a deduction from shareholders' funds.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less provision for depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of tangible fixed assets over their expected lives by equal annual instalments. Depreciation is provided on all tangible fixed assets. Assumed lives vary according to the class of asset as follows:

Computer hardware and software	2 to 7 years
Fixtures and fittings	4 to 10 years

Investments in subsidiaries

Investments in subsidiaries are stated at cost less provisions for impairment where appropriate.

Dividends

Under FRS21, final ordinary dividends payable to the shareholders of Rexam PLC are recognised in the period that they are approved by the shareholders. Interim ordinary dividends payable are recognised in the period that they are paid. Dividends receivable are recognised when the Company's right to receive payment is established.

Income taxes

The Company records a tax charge or credit in the profit and loss account calculated at the tax rates prevailing in the year for UK corporation tax and foreign taxes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise from the inclusion of income and expenditure in tax computations in periods different to those in which they are included in the financial statements. Deferred income tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Financial instruments

Derivative financial instruments are measured at fair value. Derivative financial instruments used by the Company include interest rate swaps, cross currency swaps, forward foreign exchange contracts and aluminium, gas and diesel commodity contracts.

Certain derivative financial instruments are designated as hedges in line with the Company's risk management policies. Hedges are classified as follows:

- (i) fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability.
- (ii) cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is recognised in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and similarly recognised in the profit and loss account.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in reserves, with any ineffective portion recognised in the profit and loss account. When hedged cash flows result in the recognition of a non financial asset or liability, the associated gains or losses previously recognised in reserves are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in reserves are transferred to the profit and loss account in the same period in which the hedged cash flows affect the profit and loss account.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised immediately in the profit and loss account.

Borrowings are measured at amortised cost except where they are hedged by an effective fair value hedge, in which case the carrying value is adjusted to reflect the fair value movements associated with the hedged risk.

Up front fees paid on the establishment of facilities are initially capitalised as transaction costs of the facilities and amortised in interest over the expected term of the facilities. Ongoing commitment fees are expensed in interest as incurred.

Debtors are measured at amortised cost less any provision for impairment. Debtors are discounted when the time value of money is considered material.

2 EMPLOYEE COSTS AND NUMBERS

	2014 £m	2013 £m
Employee costs including directors:		
Wages and salaries	17	17
Social security	3	4
Retirement benefits	4	4
Share options	6	7
	30	32

For details of directors' remuneration see the remuneration report.

	2014 Number	2013 Number
Average employee numbers	123	122

3 EQUITY DIVIDENDS

For details of equity dividends see note 11 to the consolidated financial statements.

4 TANGIBLE ASSETS

	Computer hardware and software £m	Fixtures and fittings £m	Total £m
Cost			
At 1 January 2014	32	2	34
Additions	4	–	4
At 31 December 2014	36	2	38
Accumulated depreciation and impairment			
At 1 January 2014	(25)	(1)	(26)
Depreciation for the year	(3)	(1)	(4)
At 31 December 2014	(28)	(2)	(30)
Carrying value at 31 December 2014	8	–	8
Cost			
At 1 January 2013	28	3	31
Additions	4	–	4
Disposals	–	(1)	(1)
At 31 December 2013	32	2	34
Accumulated depreciation and impairment			
At 1 January 2013	(20)	(1)	(21)
Depreciation for the year	(3)	–	(3)
Impairment	(2)	–	(2)
At 31 December 2013	(25)	(1)	(26)
Carrying value at 31 December 2013	7	1	8

5 INVESTMENTS IN SUBSIDIARIES

	Shares £m	Loans £m	Total £m
At 1 January 2014	2,032	3,243	5,275
Exchange differences	–	34	34
Advances	30	1,086	1,116
Repayments	(15)	(1,093)	(1,108)
Impairment	–	(14)	(14)
Share options: cost of investment	(8)	–	(8)
At 31 December 2014	2,039	3,256	5,295
At 1 January 2013	2,035	2,987	5,022
Exchange differences	–	(4)	(4)
Advances	–	582	582
Repayments	–	(293)	(293)
Impairment	–	(29)	(29)
Share options: cost of investment	(3)	–	(3)
At 31 December 2013	2,032	3,243	5,275

For details of the principal subsidiaries of Rexam PLC see note 15 to the consolidated financial statements.

The directors believe that the underlying value of investments in subsidiaries is supported by the carrying value of the net assets.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

6 DEBTORS RECEIVABLE WITHIN ONE YEAR

	2014 £m	2013 £m
Trade debtors	1	2
Due from subsidiaries	2	11
Prepayments	2	2
Tax	6	4
Other debtors	2	–
	13	19

7 OTHER CREDITORS

	2014 £m	2013 £m
Amounts falling due within one year		
Trade creditors	(3)	(5)
Due to subsidiaries	(433)	(376)
Tax and social security	(2)	(2)
Accruals	(12)	(7)
Other creditors	(1)	(4)
	(451)	(394)
Amounts falling due after more than one year		
Due to subsidiaries	(743)	(767)

8 BORROWINGS

	2014 £m	2013 £m
Unsecured		
Bank loans net of capitalised financing fees	(248)	(247)
US private placements	(481)	(457)
Subordinated bond	(665)	(723)
	(1,394)	(1,427)
Repayment analysis		
Amounts falling due after more than one year:		
In more than one year but not more than two years	2	2
In more than two years but not more than five years	2	4
In more than five years	(1,128)	(1,162)
	(1,124)	(1,156)
Amounts falling due within one year	(270)	(271)
	(1,394)	(1,427)

A fair value gain of £4m (2013: £2m) on the subordinated bond under designated fair value hedge relationships was included in retained profit for the year.

The subordinated bond has a maturity of 2067 and Rexam has an option to redeem it at par in 2017. The above table assumes that the bond will be redeemed at maturity.

9 DERIVATIVE FINANCIAL INSTRUMENTS

For details of the financial risk management objectives and policies and principal financial risks see note 24 to the consolidated financial statements.

	2014 £m	2013 £m
Fair value of derivative financial instruments		
Cross currency swaps	31	105
Interest rate swaps	(6)	(8)
Forward foreign exchange contracts	4	–
	29	97

The fair value of cross currency swaps and interest rate swaps has been determined by discounting cash flows at prevailing interest rates. The fair value of forward foreign exchange contracts has been determined by marking those contracts to market against prevailing forward foreign exchange rates.

	2014 £m	2013 £m
Fair value (losses)/gains included in retained profit for the year		
Cross currency swaps	(49)	17
Interest rate swaps	(3)	–
Forward foreign exchange contracts	3	–
	(49)	17

Cross currency swaps

At 31 December 2014, three cross currency swaps were outstanding. The first swapped €750m to £505m receiving fixed interest rates of 6.75% and paying floating interest rates. The second swapped £505m to \$1,007m receiving and paying floating interest rates. The third swapped \$302m to €233m receiving floating interest rates and paying fixed interest rates of 2.69%. All of these swaps mature in 2017.

Interest rate swaps

At 31 December 2014, six interest rate swaps were outstanding as set out below.

Principal	Start date	Maturity date	Receive	Pay
€200m	2013	2015	Floating	1.24%
\$350m	2013	2015	Floating	1.09%
\$325m	2013	2015	Floating	0.97%
\$350m	2015	2017	Floating	1.31%
\$150m	2015	2017	Floating	1.27%
€100m	2015	2017	Floating	0.55%

Forward foreign exchange contracts

At 31 December 2014, forward foreign exchange contracts had principal amounts equivalent to £18m (2013: £203m). The main currencies traded were the US dollar, euro and sterling. These contracts mature in 2015 (2013: in 2014).

10 OPERATING LEASE COMMITMENTS

Operating lease rentals payable in 2014 relating to contracts expiring after five years are £1m (2013: £1m).

11 CONTINGENT LIABILITIES

	2014 £m	2013 £m
Guarantees	32	14

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

12 CAPITAL AND RESERVES

	Ordinary share capital £m	Non equity B shares £m	Share premium account £m	Capital redemption reserve £m	Profit and loss reserve £m	Other reserves £m	Total equity £m
At 1 January 2014	566	–	602	746	865	155	2,934
Retained profit for the year	–	–	–	–	440	–	440
Share options: proceeds from shares issued	1	–	2	–	–	–	3
Share options: value of services provided	–	–	–	–	2	–	2
Share options: cost of investment	–	–	–	–	(8)	–	(8)
Purchase of Rexam PLC shares by Employee Share Trust	–	–	–	–	(7)	–	(7)
Return of cash to shareholders	–	1	(180)	179	(449)	–	(449)
At 31 December 2014	567	1	424	925	843	155	2,915
At 1 January 2013	565	–	992	351	800	155	2,863
Retained profit for the year	–	–	–	–	480	–	480
Share options: proceeds from shares issued	1	–	5	–	–	–	6
Share options: value of services provided	–	–	–	–	4	–	4
Share options: cost of investment	–	–	–	–	(3)	–	(3)
Purchase of Rexam PLC shares by Employee Share Trust	–	–	–	–	(23)	–	(23)
Return of cash to shareholders	–	–	(395)	395	(393)	–	(393)
At 31 December 2013	566	–	602	746	865	155	2,934

The profit after tax for the financial year dealt within the financial statements of Rexam PLC is £573m (2013: £605m). Other reserves reflect unrealised gains related to the transfer of investments between subsidiaries. The profit and loss reserve of £843m (2013: £865m) arose partly as a result of a provision of £214m against certain investments in subsidiaries in 2001 of which £156m was reversed in 2005. The directors consider the value of the remaining investments in subsidiaries is considerably more than their book value. Accordingly, the remaining provision of £58m does not impact the distributable reserves of Rexam PLC which were £862m at 31 December 2014 (2013: £876m) after deducting £39m (2013: £47m) in respect of share options capitalised in cost of investment.

For details of ordinary shares see note 27 to the consolidated financial statements. For details of the Rexam PLC Employee Share Trust see note 29 to the consolidated financial statements.

13 SHARE BASED PAYMENT

Rexam PLC's share based payment schemes comprise LTIP, SAYE and ESOS. For further information on these schemes, including the valuation models, assumptions used and settlement basis, see note 29 to the consolidated financial statements.

The number of options and weighted average exercise prices of share option schemes relating to Rexam PLC are set out below.

	2014 Number of options Thousands	2014 Weighted average exercise price £	2013 Number of options Thousands	2013 Weighted average exercise price £
Outstanding at 1 January	6,602	0.33	8,884	0.53
Granted	2,166	0.15	2,216	0.09
Transfers in/(out)	74	0.63	(530)	1.61
Exercised	(2,084)	0.42	(3,041)	0.57
Lapsed	(993)	0.09	(927)	0.12
Outstanding at 31 December	5,765	0.27	6,602	0.33
Exercisable at 31 December	209	3.85	315	4.18

The exercise prices and average remaining contractual lives of share options relating to Rexam PLC by scheme are set out below.

	2014 Number of options Thousands	2014 Range of exercise prices £	2014 Weighted average remaining contractual life Years	2013 Number of options Thousands	2013 Range of exercise prices £	2013 Weighted average remaining contractual life Years
LTIP	5,348	–	6.0	5,993	–	3.5
SAYE	245	2.12 to 4.11	2.3	298	2.12 to 4.11	2.2
ESOS	172	3.84 to 4.38	2.7	311	3.84 to 4.58	3.8

SHAREHOLDER INFORMATION

REXAM WEBSITE

www.rexam.com

The Rexam website has a range of information on the Group. You can view online or download publications such as Rexam's annual reports, half year results announcements, press releases and AGM related information and documents. There is practical information such as real time and historic Rexam share prices and, in the investor section, information on the return of cash 2014, dividend payments and record dates, and choices as to how your dividend can be paid directly to your bank account or reinvested in shares through the dividend reinvestment plan.

STOCK EXCHANGE LISTING

The Company's ordinary shares of 80½p each are listed with the UK Listing Authority and trade on the London Stock Exchange under the code REX. In the US, shares are traded in the form of ADRs under the symbol REXMY on the Pink Sheets electronic trading market.

FINANCIAL CALENDAR 2015

Please check the Rexam website nearer to the expected dates to ensure there have been no changes to them.

Event	2015
Announcement of 2014 final results	19 February
Annual General Meeting 2015	28 April
Ex dividend date for 2014 final dividend	30 April
Record date for 2014 final dividend	1 May
Proposed payment date for 2014 final dividend	27 May
Announcement of 2015 half year results	30 July
Proposed payment date for 2015 interim dividend	24 September
Financial year end	31 December

HOLDERS OF ORDINARY SHARES

Please write to our Registrar, Equiniti or contact their helpline to:

- check your shareholding
- register change of address or name
- obtain a replacement dividend cheque or tax voucher
- record the death of a shareholder
- amalgamate multiple accounts
- ask any other question about your shareholding.

Shareholder helpline

Freephone: 0800 169 6946¹ overseas callers: +44 121 415 7008²

Online

You can find information on how to manage your shareholding at:

www.shareview.co.uk

If your question is not answered by the information provided, you can send your enquiry via secure email from these pages.

Post

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
United Kingdom

(Please include a daytime telephone number with your enquiry)

¹ Calls to this number are free of charge when dialled from a BT landline. Other telephone provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday.

² Calls from outside the UK. Lines open 8.30am to 5.30pm (GMT), Monday to Friday.

HOLDERS OF AMERICAN DEPOSITARY RECEIPTS (ADRS)

Please write to The Bank of New York Mellon or contact their helpline to ask any question about Rexam's ADR programme.

Telephone

Calls from the UK: +1 201 680 6825
Toll free within the US: 1 888 BNY ADRS

Online

www.mybnymdr.com
email: shrrelations@cpushareownerservices.com

Post

BNY Mellon Shareowner Services
P.O. Box 30170
College Station
TX 77842-3170
United States

RETURN OF CASH 2014 AND SHARE CAPITAL CONSOLIDATION

At the general meeting held on 29 May 2014 the proposed return of 57p in cash to shareholders for each existing ordinary share was approved. The cash was to be returned through the issue of either B shares or C shares of 57p each and accompanied by a consolidation of the existing ordinary shares in the ratio of eight new ordinary shares for every nine existing ordinary shares held on 30 May 2014. On 9 June 2014 a dividend of 57p per share was paid on 475,873,869 C shares and these shares were reclassified as deferred shares and subsequently redeemed. Also on the 9 June 2014 314,043,470 B shares were redeemed for 57p and cancelled. It is expected that the remaining 2,065,516 B shares will be redeemed for 57p per share on either 24 March or 7 April 2015 and thereafter cancelled.

For capital gains tax purposes, the market values, cash values and proportional values of the new ordinary, B shares and C shares on the 2 June 2014 being the first day of dealing in the new ordinary shares were as follows.

	Market Value (pence)	Proportional value (%)
Ordinary shares	529.0	89.19
B shares and C shares	57.0	10.81

Shareholders requiring clarification of their capital gains tax position should consult their professional advisor.

FRAUDULENT TRANSACTIONS

The FCA has issued a warning to all UK shareholders about unsolicited phone calls or correspondence concerning investment matters. If you receive such calls and are concerned, report the matter to the FCA either by calling them or visiting their website.

Telephone

Freephone: 0800 111 6768³ overseas callers: +44 20 7066 1000⁴

Online

<http://www.fca.org.uk/consumers>
email: consumer.queries@fca.org.uk

Post

The Financial Conduct Authority (FCA)
25 The North Colonnade
Canary Wharf
London
E14 5HS
United Kingdom

3 Calls to this number are free of charge. Lines open 8am to 6pm, Monday to Friday (except public holidays) and 9am to 1pm, Saturday.

4 Calls from outside the UK. Lines open 8am to 6pm (GMT), Monday to Friday (except public holidays) and 9am to 1pm, Saturday.

SHAREGIFT

ShareGift is an independent charity share donation scheme that provides a charitable solution to the problem of unwanted small holdings of shares. If you have shares that you wish to dispose of and whose value makes it uneconomic to sell, you may wish to consider donating them to charity through ShareGift.

Telephone

+44 (0)20 7930 3737

Online

www.sharegift.org
email: help@sharegift.org

Post

ShareGift
PO Box 72253
London
SW1P 9LQ

ADDRESSES

REGISTERED OFFICE AND HEADQUARTERS

REXAM PLC

4 Millbank
London SW1P 3XR
United Kingdom
Tel: +44 (0)20 7227 4100

OPERATIONAL HEADQUARTERS

Rexam Beverage Can Europe

100 Capability Green
Luton
Bedfordshire LU1 3LG
United Kingdom
Tel: +44 (0)1582 408999

Rexam Beverage Can North America

8770 W Bryn Mawr Avenue
Chicago
IL 60631
United States
Tel: +1 773 399 3000

Rexam Beverage Can South America

Av. das Américas, 3434 Bloco2
6º e 7º andar
Barra da Tijuca
Rio de Janeiro – RJ
CEP: 22640-102
Brazil
Tel: +55 21 2104 3300

Rexam Beverage Can Africa, Middle East & Asia

PO Box 500091
Office 2108A, 21st Floor, Tower A
Business Central Towers
Dubai Media City
Dubai
United Arab Emirates
Tel: +971 (0)4364 8900



Printed by L&S Printing (Worthing) on FSC® certified paper.

L&S Printing are an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Heaven 42, a paper containing 100% virgin fibre sourced from well-managed, responsible, FSC® certified forests. Some pulp used in this product is bleached using an elemental chlorine free (ECF) process and some using a totally chlorine free (TCF) process.

Designed and produced by SALTERBAXTER MSLGROUP.

Board photography: Marcus Lyon

Feature photography: Charlie Fawell

Product photography: Michael Harvey

