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Alma Products Limited

Annual report for the year ended 31 December 1997

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Alma Products Limited

Directors and advisers

Executive directors

H W Kessler

D Blundell

J S Dick

H R Wild

Registered Auditors

Coopers & Lybrand

Abacus Court
6 Minshull Street
Manchester
M1 3ED

Secretary and registered office

D Blundell
51/53 Brindley Road
Astmoor Industrial Estate
Runcorn
Cheshire
WA7 1PS

Bankers

The Royal Bank of Scotland PLC
38 Mosley Street
Manchester
M60 2BE

Solicitors

Mace & Jones
Drury House
19 Water Street
Liverpool
L2 0RP

Alma Products Limited

Directors' report for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities, review of business and future developments

The company's principal activities are the manufacture and marketing of plastic products, primarily multi and mono-layered sheet for the food industry. In addition, the company is involved in the use of recycled materials for non-food applications. Trading in 1997 proved very difficult as a result of the high value of sterling which intensified international pricing pressure and led to margin erosion in core markets. In the opinion of the directors the revaluation of sterling against major European currencies reduced the profits from operations by at least £700,000, including approximately £150,000 of restructuring costs incurred in making the company more competitive.

We move forward into 1998 with confidence that we can achieve substantial volume growth despite the intensely competitive nature of the packaging market.

Dividends

The directors do not recommend the payment of a dividend for the year.

Directors

The directors of the company at 31 December 1997, all of whom have been directors for the whole of the year ended on that date, are listed on page 1.

Directors' interests in shares

None of the company directors at 31 December 1997 had any interests in the issued share capital of the company. The directors' interests in the parent company are disclosed in the accounts of that company.

Alma Products Limited

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the next annual general meeting.

By order of the board



D Blundell
Company Secretary
22 May 1998

Report of the auditors to the members of Alma Products Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

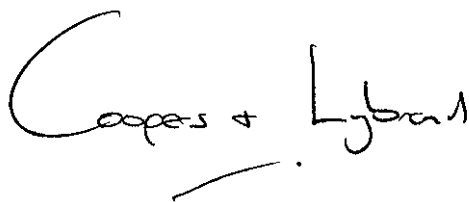
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Coopers & Lybrand". The signature is written in dark ink and is positioned above a horizontal line.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
22 May 1998

Alma Products Limited

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Continuing operations:			
Turnover	2	7,942,988	11,468,608
Own work capitalised		23,675	7,718
Change in stocks of finished goods and work in progress		(20,770)	30,704
Other operating income		(1,165)	(242)
		<u>7,944,728</u>	<u>11,506,788</u>
Raw materials and consumables		(5,499,557)	(8,149,762)
Wages and salaries	5	(957,336)	(1,020,233)
Depreciation		(245,348)	(411,987)
Other operating charges		(1,147,529)	(1,432,379)
		<u>(7,849,770)</u>	<u>(11,014,361)</u>
Profit before interest and taxation		94,958	492,427
Interest payable and similar charges	6	(148,167)	(99,779)
(Loss)/profit on ordinary activities before taxation		(53,209)	392,648
Taxation	7	40,000	(40,000)
Accumulated (loss)/retained profit for the year	18	(13,209)	352,648

Management have adopted a Format 2 profit and loss account for 1997. As a result, the presentation of the 1996 profit and loss account has been amended accordingly.

The company has no gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the accumulated loss for the year stated above and their historical cost equivalents.

Alma Products Limited

Balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	8	<u>2,377,523</u>	<u>2,341,276</u>
Current assets			
Stocks	9	456,463	632,787
Debtors	10	1,544,404	982,148
Cash at bank and in hand		<u>18,591</u>	<u>101,137</u>
		<u>2,019,458</u>	<u>1,716,072</u>
Creditors: amounts falling due within one year	11	<u>2,083,749</u>	<u>2,126,604</u>
Net current liabilities		<u>(64,291)</u>	<u>(410,532)</u>
Total assets less current liabilities		<u>2,313,232</u>	<u>1,930,744</u>
Creditors: amounts falling due after more than one year	12	674,492	266,795
Deferred income	13	<u>34,000</u>	<u>46,000</u>
Net assets		<u><u>1,604,740</u></u>	<u><u>1,617,949</u></u>
Capital and reserves			
Called up share capital	16	1,000,000	1,000,000
Profit and loss account	17	399,038	403,394
Revaluation reserve	17	<u>205,702</u>	<u>214,555</u>
Equity shareholders' funds		<u><u>1,604,740</u></u>	<u><u>1,617,949</u></u>

The financial statements on pages 5 to 16 were approved by the board of directors on 22 May 1998 and signed on its behalf by:



D Blundell
Director

Alma Products Limited

Notes to the financial statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain tangible fixed assets.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No.1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary of Plasticos Holding AG, a company incorporated in Switzerland. Availability of the holding company's consolidated financial statements is detailed in note 21.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost or revalued amount less depreciation.

Depreciation is charged on a straight line basis at the following principal annual rates:

Land and buildings	2 - 10% on cost
Plant and machinery	10 - 20% on cost
Fixtures and fittings	20 - 33.3% on cost
Motor vehicles	25 - 50% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is the actual cost of materials, and in the case of finished goods, all relevant direct expenditure and production overheads incurred in bringing products to their present location and condition.

Deferred taxation

The company provides for deferred taxation on the liability method where it is likely that a liability will arise in the foreseeable future.

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Government grants

Government grants received that relate to specific capital expenditure are credited to profit and loss account over the estimated useful lives of the assets to which they relate. Other grants are credited to the profit and loss account when received.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling using the rate of exchange at the balance sheet date or, where appropriate, the rate of exchange fixed under the terms of the relevant transaction. Transactions in foreign currencies are translated into sterling using the monthly average rate at the date of the transaction. Differences on translation are written-off to the profit and loss account.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value of the leased assets. The corresponding leasing commitments are shown as obligations to the lessor. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful life of equivalent owned assets. Assets purchased under hire purchase agreements are depreciated over the useful economic life of the asset.

Turnover

Turnover represents the value of goods and services supplied to customers during the year, exclusive of value added tax.

Pension costs

The company operates a defined contribution pension scheme. Pension costs charged to the profit and loss account represent contributions payable by the company in the year.

2 Turnover

Geographical market supplied	1997	1996
	£	£
Sale of plastic products:		
United Kingdom	6,276,092	9,745,997
Overseas	1,666,896	1,722,611
	<u>7,942,988</u>	<u>11,468,608</u>

Alma Products Limited

3 Operating profit

	1997	1996
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets (see below)	238,672	330,425
Tangible fixed assets held under finance leases and hire purchase agreements (see below)	18,676	113,784
Auditors' remuneration	11,500	10,500
Government grant released	(12,000)	(32,222)
Hire of plant and equipment	8,720	5,682
Hire of other assets	87,860	87,860
Profit on disposal of fixed assets	(127,888)	-
Exchange loss/(gain)	4,536	(22,962)
Bad debts	-	35,851
Management charges payable to parent company	194,214	204,588
	<u> </u>	<u> </u>

The expected useful lives of certain items of machinery were re-assessed at 1 January 1997 and were extended to a maximum of eight years. It is considered that a material distortion of future results would occur if this change were effected by writing down the present balances over the remaining useful lives. Therefore, under the provisions of Statement of Standard Accounting Practice 12, depreciation has been recalculated from the dates of acquisition of the machinery using the re-assessed asset lives resulting in a credit of £103,316 to operating profit in the year.

Fees charged by the auditor of the company for non-audit services in 1997 were £7,120 (1996: £7,850).

4 Directors' emoluments

	1997	1996
	£	£
Aggregate emoluments (including pension contributions and benefits in kind)	92,156	91,125
	<u> </u>	<u> </u>

5 Employee information

The average number of persons employed by the company, including directors, were as follows:

	1997	1996
	Number	Number
Administration	6	6
Production	53	53
Sales	2	2
	<u> </u>	<u> </u>
	61	61
	<u> </u>	<u> </u>

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	1997 £	1996 £
Staff costs for the above persons		
Wages and salaries	865,464	922,167
Social security	81,822	88,016
Other pension costs (note 15)	10,050	10,050
	<u>957,336</u>	<u>1,020,233</u>

6 Interest payable and similar charges

	1997 £	1996 £
On overdrafts and other loans:		
Repayable within five years, not by instalments	70,569	20,198
Repayable within five year, by instalments	50,470	53,209
Repayable wholly or in part in more than five years	27,128	26,372
	<u>148,167</u>	<u>99,779</u>

Interest payable includes £10,938 (1996: £11,543) payable to the parent undertaking and £44,228 in respect of finance leases and hire purchase agreements.

7 Taxation

	1997 £	1996 £
United Kingdom corporation tax at 24/25%:		
Current	<u>(40,000)</u>	<u>40,000</u>

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8 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 1997	708,247	4,244,077	48,193	22,347	5,022,864
Additions	1,285	870,169	4,705	-	876,159
Disposals	-	(1,068,028)	-	-	(1,068,028)
At 31 December 1997	709,532	4,046,218	52,898	22,347	4,830,995
Depreciation					
At 1 January 1997	94,619	2,540,793	31,899	14,277	2,681,588
Charge for the year	26,845	216,452	6,602	7,449	257,348
Disposals	-	(485,464)	-	-	(485,464)
At 31 December 1997	121,464	2,271,781	38,501	21,726	2,453,472
Net book value					
At 31 December 1997	588,068	1,774,437	14,397	621	2,377,523
Net book value at 31 December 1996	613,628	1,703,284	16,294	8,070	2,341,276

The net book value of tangible fixed assets includes an amount of £644,925 (1996: £285,081) in respect of finance leases and hire purchase contracts.

Freehold land and buildings were professionally revalued on the basis of an open market valuation for existing use at 31 December 1991.

	Freehold land and buildings £
Cost or valuation at 31 December 1997 is represented by	
Cost	474,530
Valuation in 1989	185,002
Valuation in 1991	50,000
	709,532

Alma Products Limited

If land and buildings had not been revalued, they would have been included at the following amounts:

	1997 £	1996 £
Cost	474,530	473,244
Aggregate depreciation on cost	(92,164)	(74,171)
Net book value	<u><u>382,366</u></u>	<u><u>399,073</u></u>

9 Stocks

	1997 £	1996 £
Raw materials and packaging	299,219	427,747
Finished goods	59,344	80,114
Engineering stocks and other consumables	97,900	124,926
	<u><u>456,463</u></u>	<u><u>632,787</u></u>

Stocks include £36,786 (1996: £35,470) of goods which were not paid for at the balance sheet date and are covered by supplier's reservation of title clauses.

10 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	1,069,707	893,819
Amount owed by group undertakings	415,119	-
Other debtors	34,205	58,393
Prepayments	25,373	29,936
	<u><u>1,544,404</u></u>	<u><u>982,148</u></u>

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11 Creditors: amounts falling due within one year

	1997	1996
	£	£
Mortgage loan (note 12)	7,752	9,500
Bank loan	-	8,520
Bank overdraft	3,554	14,887
Bank finance secured on trade debtors	548,847	578,504
Trade creditors	1,353,041	941,240
Obligations under finance leases and hire purchase contracts	50,917	86,376
Amounts due to group undertakings	-	264,644
Corporation tax	-	40,000
Other taxation and social security	37,899	52,575
Other creditors	30,630	65,657
Accruals and deferred income	51,109	64,701
	<u>2,083,749</u>	<u>2,126,604</u>

The bank overdraft facility is secured by second legal charge on the freehold land and buildings of the company, and interest is charged at commercial rates.

12 Creditors: amounts falling due after more than one year

	1997	1996
	£	£
Mortgage loan	259,672	266,795
Obligations under finance leases and hire purchase contracts	414,820	-
	<u>674,492</u>	<u>266,795</u>

The mortgage loan is secured by first charge upon the freehold land and buildings and interest is charged at commercial rates. Repayment is being made over a 25 year term by equal monthly instalments which are adjusted every April for changes in the interest rate.

Bank and mortgage loans

	1997	1996
	£	£
Repayable as follows:		
In under one year	7,752	18,020
Between one and two years	8,481	9,975
Between two and five years	31,605	33,020
In five years or more	219,586	223,800
	<u>267,424</u>	<u>284,815</u>

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Finance leases

The future minimum finance lease payments to which the company is committed are:

	1997 £	1996 £
In under one year	50,917	86,376
Between one and two years	57,642	-
Between two and five years	357,178	-
	<u>465,737</u>	<u>86,376</u>

13 Deferred income

	1997 £	1996 £
Government grants:		
At 1 January	46,000	63,222
Amounts advanced	-	15,000
Transfer to profit and loss account	(12,000)	(32,222)
	<u>34,000</u>	<u>46,000</u>

14 Deferred taxation

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

	Amount provided		Total potential liability	
	1997 £	1996 £	1997 £	1996 £
Tax effect of timing differences because of:				
Tax allowances over depreciation	-	-	238,340	66,938
Losses	-	-	(146,397)	-
	<u>-</u>	<u>-</u>	<u>91,943</u>	<u>66,938</u>

15 Pension obligations

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund and amounted to £10,050 (1996: £10,050).

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16 Called up share capital

	1997 £	1996 £
Authorised		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

17 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 January 1997	214,555	403,394
Accumulated loss for the year	-	(13,209)
Transferred to profit and loss account	(8,853)	8,853
At 31 December 1997	<u>205,702</u>	<u>399,038</u>

18 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
(Loss)/profit for the financial year	(13,209)	352,648
Opening shareholders' funds	<u>1,617,949</u>	<u>1,265,301</u>
Closing shareholders' funds	<u>1,604,740</u>	<u>1,617,949</u>

19 Other financial commitments

At 31 December 1997 the company has the following annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	1997 £	1996 £
Expiring in over five years	<u>87,860</u>	<u>87,860</u>

Alma Products Limited

20 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard No.8 to avoid disclosing transactions and balances with group companies which would normally be eliminated on consolidation.

21 Ultimate and immediate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and controlling party is Plásticos Holding AG, a company incorporated in Switzerland and whose registered office is Kolinplatz 2, 6300 Zug, Switzerland. This represents the smallest group of undertakings for which consolidated financial statements are prepared. Members of the public may request a copy of the consolidated financial statements of Plásticos Holding AG from the above address. The directors of the company believe that H W Kessler is the ultimate controlling party by virtue of his holding in the share capital of the ultimate holding company.