Alma Products Limited

Directors' report and financial statements

Registered number 01665868

31 December 1999

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activities of the company 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.

Business review

The food-packaging sector remains fiercely competitive placing continued pressure on margins in our core market. In addition the continued strength of Sterling has encouraged our European competitors to intensify their efforts to establish a larger presence in the UK market. Against this background the company has maintained its market position and profitability although the substantial volume increases expected in 1999 have not been attained. During the year the company has made a substantial increase to its available production capacity, which will enable it to take advantage of new opportunities currently being developed both in the UK and Europe.

We move forward into the year 2000 with confidence that we will realise the volume growth in the non food-packaging sector that was originally anticipated in 1999.

Profits and dividend

The profit for the year ended 31 December 1999 after provision for taxation is £291,000 *(1998: £308,000)*. A dividend of £450,000 *(1998: £nil)* has been paid.

Research and development

Research and development costs are charged as an expense in the financial period during which they are incurred, except for certain development costs which are capitalised as and when it is probable that a development project will be a success and certain criteria, including commercial and technological feasibility, have been met. Capitalisation ceases and amortisation begins when the product becomes available to customers. The amortisation period of these capitalised assets is from three to five years.

Year 2000

The company gives the Year 2000 issue a high priority and has implemented systems to ensure any issues arising from the date change are promptly brought to the attention of management and appropriate action taken.

The company has upgraded its systems to be Year 2000 compliant. During the New Year there have been no instances of failures related to this area of risk and management are not aware of any material residual risk for the future.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

H W Kessler
D Blundell
J S Dick
H R Wild

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. As the company is a wholly owned subsidiary of a body corporate incorporated outside Great Britain, any interests in shares or debentures of that body corporate or any other body corporate incorporated outside Great Britain are not disclosable to the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

D Blundell

D Blundell
Secretary

51-53 Brindley Road
Astmoor Industrial Estate
Runcorn
Cheshire
WA7 1PF

Statement of 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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

8 Princes Parade
Liverpool L3 1QH
United Kingdom

Report of the auditors to the members of Alma Products Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

5 April 2000

Chartered Accountants
Registered Auditors

Profit and loss account

for the year ended 31 December 1999

	Note	1999 £000	1999 £000	1998 £000	1998 £000
Turnover	*2*	**7,507**		7,809	
Change in stocks of finished goods and work in progress		**(22)**		52	
Own work capitalised		**173**		85	
Other operating income		**75**		243	
			7,733		8,189
Raw materials and consumables		**(4,723)**		(5,255)	
Staff costs	*5*	**(992)**		(914)	
Depreciation and other amounts written off tangible and intangible fixed assets		**(300)**		(302)	
Other operating charges		**(1,291)**		(1,334)	
			(7,306)		(7,805)
Operating profit			**427**		384
Other interest receivable and similar income	*6*		**15**		72
Interest payable and similar charges	*7*		**(151)**		(136)
Profit on ordinary activities before taxation	*3*		**291**		320
Tax on profit on ordinary activities	*8*		**-**		(12)
Profit after taxation			**291**		308
Dividends paid	*9*		**(450)**		-
Retained profit brought forward			**707**		399
Retained profit carried forward			**548**		707

All turnover and operating profit are derived from continuing operations in both the current and preceding years.

Balance sheet
at 31 December 1999

	Note	1999		1998	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*10*		**84**		67
Tangible assets	*11*		**2,581**		1,999
			2,665		2,066
Current assets					
Stocks	*12*	**348**		296	
Debtors	*13*	**1,560**		1,982	
Cash at bank and in hand		**56**		88	
		1,964		2,366	
Creditors: amounts falling due within one year	*14*	**(2,181)**		(2,055)	
Net current (liabilities)/assets			**(217)**		311
Total assets less current liabilities			**2,448**		2,377
Creditors: amounts falling due after more than one year	*15*		**(890)**		(648)
Accruals and deferred income	*17*		**(10)**		(22)
Net assets			**1,548**		1,707
Capital and reserves					
Called up share capital	*18*		**1,000**		1,000
Profit and loss account	*19*		**548**		707
Equity shareholders' funds			**1,548**		1,707

These financial statements were approved by the board of directors on 5 April 2000 and were signed on its behalf by:

D Blundell

D Blundell
Director

Statement of total recognised gains and losses
for the year ended 31 December 1999

	1999 £000	1998 £000
Profit for the financial year and total recognised gains and losses relating to the financial year	**291**	308
Prior year adjustment	**-**	(206)
Total gains and losses recognised since last annual report	**291**	102

Reconciliation of movements in shareholders' funds
for the year ended 31 December 1999

	1999 £000	1998 £000
Profit for the financial year	**291**	308
Dividends paid	**(450)**	-
Net (reduction)/addition to shareholders' funds	**(159)**	308
Opening shareholders' funds	**1,707**	1,399
Closing shareholders' funds	**1,548**	1,707

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Plasticos Holding AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Plasticos Holding AG, within which this company is included, can be obtained from the address given in note 23.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2 - 20% per annum
Plant and machinery	-	10 - 33.3% per annum
Fixtures and fittings	-	20 - 33.3% per annum
Motor vehicles	-	25 - 50% per annum

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the previous month end rate to the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Assets purchased under hire purchase agreements are depreciated over the useful economic life of the asset.

Post-retirement benefits

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 amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Research and development costs are charged as an expense in the financial period during which they are incurred, except for certain development costs which are capitalised as and when it is probable that a development project will be a success and certain criteria, including commercial and technological feasibility, have been met. Capitalisation ceases and amortisation begins when the product becomes available to customers. The amortisation period of these capitalised assets is from three to five years.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the actual cost is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Notes *(continued)*

2 Analysis of turnover

	1999 Turnover £000	1998 Turnover £000
By geographical market		
Sale of plastic products:		
United Kingdom	**6,518**	6,903
Overseas	**989**	906
	7,507	7,809

3 Profit on ordinary activities before taxation

	1999 £000	1998 £000
Profit on ordinary activities before taxation is stated *after charging*		
Auditors' remuneration:		
Audit	**11**	11
Other services	**6**	2
Depreciation and other amounts written off tangible fixed assets:		
Owned	**207**	246
Leased	**96**	68
Exchange losses	**42**	-
Hire of plant and machinery - rentals payable under operating leases	**19**	16
Hire of other assets - operating leases	**88**	88
Research and development		
Current year expenditure	**26**	67
Amortisation of deferred expenditure	**9**	-
Management charges payable to parent company	**219**	249
after crediting		
Exchange gains	**-**	40
Amortisation of Government grants	**12**	12
Profit on sale of fixed assets	**4**	22

4 Remuneration of directors

	1999 £000	1998 £000
Directors' emoluments	**88**	82
Company contributions to money purchase schemes	**11**	10
	99	92

Retirement benefits are accruing to 2 directors *(1998: 2)* under money purchase schemes.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Administration	**7**	6
Production	**49**	48
Sales	**3**	2
	59	56

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£000	£000
Wages and salaries	**895**	817
Social security costs	**83**	84
Other pension costs	**14**	13
	992	914

6 Other interest receivable and similar income

	1999	1998
	£000	£000
Receivable from group undertakings	**15**	32
Net exchange gains	**-**	40
	15	72

Notes *(continued)*

7 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	38	62
On all other loans	20	26
Net exchange losses	42	-
Finance charges payable in respect of finance leases and hire purchase contracts	51	48
	151	136

Of the above amount £Nil *(1998: £Nil)* was payable to group undertakings.

8 Taxation

	1999 £000	1998 £000
UK corporation tax at 20.25% *(1998 : 21 %)*	-	12

9 Dividends

	1999 £000	1998 £000
Equity shares: interim dividend paid	450	-

10 Intangible fixed assets

	Development costs £000
Cost or valuation	
At beginning of year	67
Additions	26
At end of year	93
Depreciation	
At beginning of year	-
Charge for year	9
At end of year	9
Net book value	
At 31 December 1999	84
At 31 December 1998	67

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At beginning of year	483	4,020	45	4,548
Additions	-	874	28	902
Disposals	-	(279)	(9)	(288)
At end of year	**483**	**4,615**	**64**	**5,162**
Depreciation				
At beginning of year	111	2,405	33	2,549
Charge for year	27	269	7	303
On disposals	-	(262)	(9)	(271)
At end of year	**138**	**2,412**	**31**	**2,581**
Net book value				
At 31 December 1999	**345**	**2,203**	**33**	**2,581**
At 31 December 1998	372	1,615	12	1,999

Included in the total net book value of tangible fixed assets is £1,304,055 *(1998 :£707,292)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £95,969 *(1998 : £68,151).*

Notes *(continued)*

12 Stocks

	1999 £000	1998 £000
Raw materials and packaging	**191**	100
Finished goods and goods for resale	**93**	111
Engineering stocks and other consumables	**64**	85
	348	296

Stocks include £ 24,725*(1998: £9,120)* of goods which were not paid for at the balance sheet date and are covered by supplier's reservation of title clauses.

13 Debtors

	1999 £000	1998 £000
Trade debtors	**934**	1,039
Amounts owed by group undertakings	**509**	779
Other debtors	**71**	154
Prepayments and accrued income	**46**	10
	1,560	1,982

14 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Mortgage loan (see note 15)	**9**	9
Bank loans and overdrafts	**83**	56
Obligations under finance leases and hire purchase contracts (see note 15)	**213**	68
Bank finance secured on trade debtors	**434**	428
Trade creditors	**1,238**	1,217
Amounts owed to group undertakings	**135**	87
Corporation tax	**-**	12
Taxation and social security	**28**	44
Other creditors	**5**	66
Accruals and deferred income	**36**	68
	2,181	2,055

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

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Mortgage loan	**235**	249
Obligations under finance leases and hire purchase contracts	**655**	399
	890	648

Analysis of mortgage loan:

	1999 £000	1998 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	**9**	9
Between one and two years	**10**	9
Between two and five years	**37**	34
In five years or more	**188**	206
	244	258

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.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1999 £000	1998 £000
Within one year	**213**	68
In the second to fifth years	**498**	250
Over five years	**157**	149
	868	467

Notes *(continued)*

16 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided	**Unprovided**	Provided	Unprovided
	£000	**£000**	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	-	**268**	-	229
Other timing differences	-	**(31)**	-	(69)
	-	**237**	-	160

17 Accruals and deferred income

	1999	1998
	£000	£000
Government grants		
At beginning of the period	**22**	34
Transfer to profit and loss account	**(12)**	(12)
At end of year	**10**	22

18 Called up share capital

	1999	1998
	£000	£000
Authorised		
Equity: Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	**1,000**	1,000

Notes *(continued)*

19 Reserves

	Profit and loss account £000
At beginning of year	707
Retained profit for the year	(159)
At end of year	**548**

20 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1999 £000	1998 £000
Contracted	**31**	94

(b) In addition to the above at the end of the financial year the company had entered into commitments amounting to £nil *(1998: £415,623)* in respect of finance leases and similar hire purchase contracts, the inception of which occurs after the year end.

(c) Annual commitments under non-cancellable operating leases are as follows:

	1999 Land and buildings £000	1998 Land and buildings £000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	-	-
Over five years	**88**	88
	88	88

Notes *(continued)*

21 Pension scheme

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 for the period represents contributions payable by the company to the fund and amounted to £10,800 *(1998 :£10,050)*.

22 Related party disclosures

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.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Plasticos Holding AG, a company incorporated in Switzerland.

The largest group in which the results of the company are consolidated is that headed by Plasticos Holding AG. The consolidated accounts of this company are available to the public and may be obtained from Kolinplatz 2, 6300 Zug, Switzerland. No other group accounts include the results of the company. The directors of the company believe that HW Kessler is the ultimate controlling party by virtue of his holding in the share capital of the ultimate holding company.