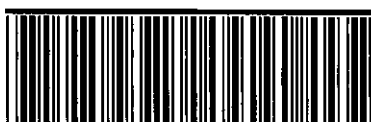


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## Financial highlights 1995 - 1999



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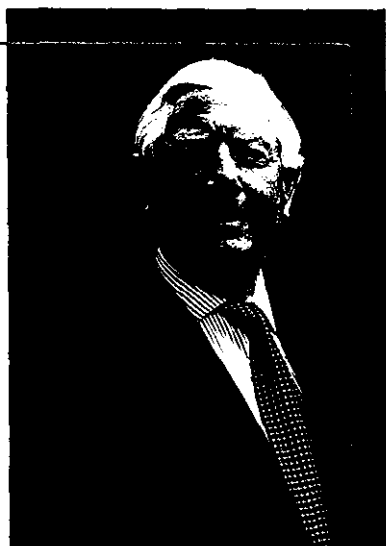
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Plysu is a leading international manufacturer of plastics containers and other products for industrial and domestic use. The company is an innovative user of recycled plastics material.



## Chairman's statement

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David O'Shaughnessy  
Chairman

I am delighted to be able to report that, once again, the group has delivered improved profit and earnings per share, despite the background of a recessionary manufacturing climate that affected the group's UK operations throughout most of the year. Turnover grew to £150.0m (1998: £143.7m) and operating profit improved to £13.8m (1998: £12.2m). Interest charges increased to £2.5m (1998: £2.0m) as a result of the heavy investment programme instigated during the year, leaving profit before tax of £11.3m (1998: £10.2m) and basic earnings per share of 16.2p – a 12% increase on the previous year.

The board is recommending a final dividend of 6.4p per share (1998: 6.2p per share), giving a total for the year of 8.6p per share (1998: 8.4p per share).

The group's profit includes a net contribution of £1.0m arising mainly as a result of fair value and negative goodwill releases following acquisitions. Trading losses and reorganisation costs at the newly acquired BXL business amounted to £1.0m and although this operation is, as expected, still losing money, we anticipate moving to a break-even level later in the current financial year. The underlying businesses improved their profitability during the year.

We have continued to give priority to the achievement of our key strategic objective to grow a balanced portfolio of businesses. In that context we have made further important investments in the process of developing our Liquid Foods business, expanding our overseas interests whilst maintaining our strong position in the UK fresh milk market. In addition to investments in our existing Spanish operations, we have recently acquired Plastica Balear – a Spanish company operating in Mallorca. This will be an important contribution to our growth in Spain.

We have acquired from BP Chemicals the bottles and closures business of its BXL Plastics division. Much work has yet to be completed to achieve the necessary turn-round and to benefit from the potential that the business offers. All the major divisions in the group will, in due course, benefit from the new products and markets and the additional volumes which this acquisition brings.

The ongoing businesses have, overall, continued to make satisfactory progress. In addition to the successful expansion in Spain, Liquid Foods division has seen yet further growth in UK demand from supermarkets, especially for smaller sized bottles. The significant investments made over the last year have seen us maintain our market lead and enhance our position as the low cost producer. This has led to further good results.

Containers division has made progress with new products and new business gains but continues to suffer the effect of excess capacity in certain areas and some of its markets have been hit by weak economic conditions, particularly in the latter part of the year. The BXL acquisition will bring new business to the division.

Our strategic objective of developing a significant position in the market for toiletries and personal care product packaging is being well met by the performance of the Personal Care division, which achieved further growth during the year. The BXL purchase brings a new dimension to the business with the opportunity to build on its position in the pharmaceutical packaging market.

Plysu Brands, bedevilled by truly extraordinary weather last summer, has not enjoyed the growth nor delivered the results for which we hoped. However, the division has new products and is well positioned to take advantage of any upturn in demand.

Our Protection Systems business has once again performed well, achieving excellent results and further improvements on sales and profit.

At the conclusion of this year's AGM, Alan Brooker will retire from the board. He will then have completed some 11 years with Plysu, during which he has made an invaluable contribution to the affairs of the company. I myself have had the benefit of his help and advice during nearly six of these years and I thank him most sincerely for his support and for his good company. We shall miss him.

I am pleased to announce the appointment of one new non-executive director. Adri Sips was until recently a senior director with DSM, the major Dutch international polymers group. We are fortunate to have the benefit of the valuable experience and expertise that Adri will bring to the boardroom.

This year has seen further change and new challenges and the loyalty and support of all our employees have, as always, been essential to the achievement of progress. I am delighted to use this opportunity to express my thanks to them.

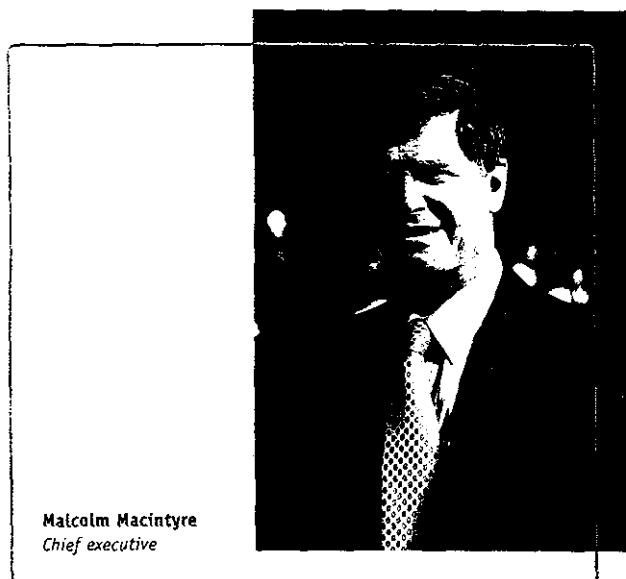
During the year we have invested some £23m in the business, including the cost of acquisitions and, with continued strong cash flow from operations and a strong balance sheet, we can look forward to continuing the strategic development of the group.



David O'Shaughnessy  
*Chairman*

## Chief executive's review

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Malcolm Macintyre  
Chief executive

**A**nother very creditable performance has been achieved, despite a fairly difficult second half to the year, with a further improvement in profit and turnover.

The rebalancing of our portfolio of businesses continued and these results are in no small measure due to this strategy. In addition in January of this year we acquired the bottles and closures business of BXL Plastics, a division of BP Chemicals. Whilst this is currently loss making, the addition of this business and its integration into our three principal divisions will enhance the group's position going forward.



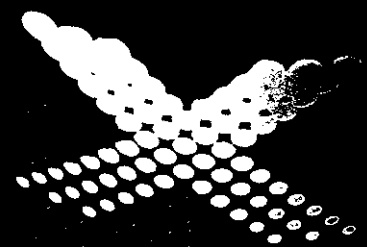
The pharmaceutical packaging facility in Leicester - one of the few throughout the world capable of class 100 clean-room operations.

To enable us to meet quickly our larger European and global customers' needs, we have struck two strategic alliances during the year. The first was with Rosti (bottle and container division), a part of the A.P. Moller group of Denmark, which gives us a partner able to cover Germany and Scandinavia through Rosti's eight plants in the region. The second is in the US, where so many of our Personal Care customers have their most significant markets and where we have forged an alliance with RXI Plastics, a private company with eight plants across the country.

The implementation of our new IT system is almost complete and will enhance our future capabilities, in particular the ease with which new businesses can be integrated into our divisional structure.

The end of December 1998 saw the effects of the first year of the new environmental legislation. Whilst the picture looked extremely confused during the year and is likely to remain so, our Plysu Recycling operation continues to give us a considerable advantage in the market place, not only in providing our customers with products incorporating recyclate, but also allowing the use of PRN (Packaging Waste Recovery Note) revenue to further enhance the UK's recycling capability.

Our use of PET, a fast growing material now more readily available for packaging use, has accelerated rapidly in the last few years. We now have four plants capable of making containers from this material by both single and two-stage processes.



Product  
development  
marketing



## Chief executive's review continued

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### Containers division

The momentum for new products that has built up in the last few years has been maintained with a variety of developments in all of the major market sectors in which we are present.

A significant long-term contract was won during the year for the supply of lubricant containers to a major world player, demonstrating our capabilities with our alliance partners.

New high-output, higher-efficiency machinery was commissioned under a programme which continues into the current year.

The addition of the ex-BXL Plenmeller plant in the North of England gives additional geographical reach and a new technical base for this division, thus increasing our capacity and capability in the UK.

The strategic alliance with Rosti will be of particular benefit to this division, giving it true pan-European capability.

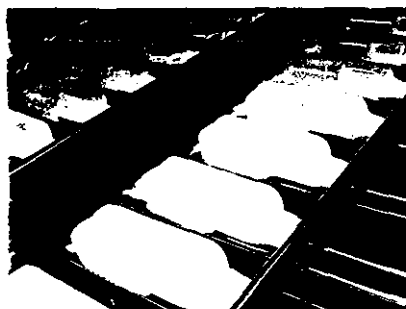
The division continues to improve its competitiveness but the Continental European market remains demanding.

### Liquid Foods division

This division's progress was characterised by further expansion, particularly in non-dairy packaging in Spain where excellent organic growth was experienced. Additionally, during the last quarter of the year we acquired Plastica Balear in Mallorca which gives us a presence in this interesting and self-contained market. This company has already exceeded our expectations and has received further investment in PET production to meet growth in demand.

The Liquid Foods division has taken control of the ex-BXL plant in Leicester, strengthening its position for the supply of fruit juice containers.

The fresh milk market in the UK was characterised by a further substantial increase in demand this year together with a continuation in the trend towards smaller sizes. The year also saw a very high level of contracted business which gives us a strong platform for future growth.



Liquid Foods division has continued to make significant investments as part of its customer-oriented New Industry Standard programme.





Further  
Expansion  
in Spain

## Chief executive's review continued

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### Protection Systems division

This year has once again seen further growth in both turnover and profit. Decontamination showers and the chemical suits introduced last year are now starting to sell in increasing numbers, whilst the introduction of a new management information system and more efficient machinery has further improved the cost base. The order book remains strong.

### Personal Care division

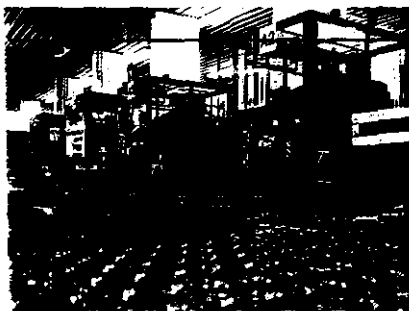
This division achieved a further year of solid growth despite the large disruption caused by the building of the extension to the Llantrisant factory and the integration of the Body Shop manufacturing operation. Further development of new PET and other products also accelerated.

Control of the ex-BXL pharmapac facility in Leicester passed to this division at the end of the year because of the synergies between this operation and the rest of the division. This will give opportunities for the development of the operation comprising a class 100 clean room where injection and injection-blow moulded products can be manufactured for both pharmaceutical and medical use. This facility, one of only a few throughout the world, provides a sufficiently clean atmosphere also to allow the production of body-invasive devices.


### Closures

As mentioned last year, the growth in the sale of closures has justified a new management team and its own site. The beginning of the new financial year has seen this operation starting up in a new factory in South Wales close to our Llantrisant factory and controlled by the Personal Care team.

We see good potential in the development of this closures operation to service both the needs of the Personal Care division, where closures and dispensing devices are an important facet of the business, and for an enhancement of the service given to other customers.



The group has invested heavily in its PET facility at Llantrisant, offering world class service.

A high-contrast, black and white photograph of a person's back and arms, with the text "A year of solid growth" overlaid. The person is seen from behind, with their arms raised and bent at the elbows. The lighting is dramatic, with the person's skin appearing very bright against a dark background. The text is centered on the person's back.

A year of  
solid growth

## Chief executive's review continued

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### Brands division

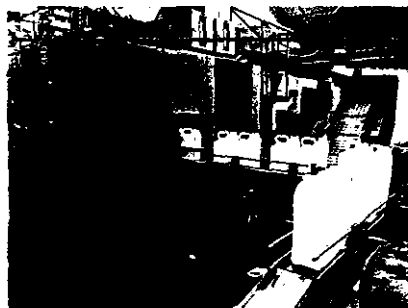
The broad portfolio of products, including Wards and Lucy Housewares, has enabled the division to introduce a very wide range of new products to the market place over the year. However, extremely poor summer weather gave a performance well below expectation. Despite this, Brands remains a strongly-based business that presents further opportunities for improving its cost base and introducing new ranges of products.

Plysu Recycling achieved its targets for the sale of PRNs during the year and also introduced a number of new products for the recycling industry. However, the start of 1999 saw the collapse of PRN values due to excess capacity in the market against a modest target. This situation is unlikely to persist in the longer term as the UK gears up to meet the EU targets. In the meantime we continue to research new products for recycle.

### The outlook

The reshaping of our business will continue to improve our returns as the significant investments made in recent years bear fruit.

Malcolm Macintyre  
Chief executive



Further investment at Containers division's Woburn Sands plant continues to enhance the group's capabilities in multi-layer technology.



## Environmental report

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Last year we published a record of our environmental activities and achievements for the first time. 1998/99 saw further important developments within the group which are detailed in this report.

### Systems

Our policy is 'to develop and implement environmental management systems, integrating them into divisional ISO 9002 quality systems' and it was reported last year that all Plysu divisions had integrated this policy statement into their ISO 9002 documentation. This year has seen a detailed divisional review of supplementary procedures to ensure that our stated aims are achieved by methodical and enforceable means. By the end of the year it was apparent that, whilst these actions were achieving results, there were some inconsistencies between the approach taken by different divisions which could be overcome by the introduction of ISO 14001, the international standard for environmental management systems. We have therefore initiated a pilot project at Newport Pagnell designed to achieve ISO 14001 certification by March 2000, thereby allowing us to assess the merits of the system.

### Brands division

A detailed register of waste was set up during the year and is now completed monthly. Other projects with far reaching environmental

implications are the development of supply chain questionnaires and a review of distribution methods. Additionally, energy consumption monitoring equipment has been installed on a trial basis on moulding machines.

### Containers division

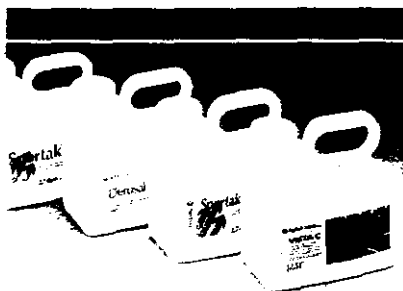
The work to clean up ground water from the Woburn Sands site has been wholly successful despite a very wet summer.

Emissions from screen printing activity at Woburn Sands have put the site close to the limits set for solvent emissions by the 1990 Environmental Protection Act. To remedy this situation, the curing process has been changed to the ultra-violet method thus considerably reducing the total emissions.

Our ongoing projects to find ways of saving raw materials in manufacturing containers have continued. New designs use up to 20% less polymer whilst existing designs are being further lightweighted by between 5% and 10%.

Additionally, the investment in new machinery capable of multilayer production improves the potential for recycling by 50%. As an example, Containers division, working with AgrEvo, has achieved an important milestone by integrating – for the first time – post-consumer recycled material into the inner core of a UN-certificated pack. This container, used for crop protection products, complies with UN recommendations on the transport of hazardous goods.

Cardboard used to package containers has come under review and specifications have been standardised across the division to avoid the use of higher weight board. New stretch wrap equipment is to be the subject of investment in the coming year so that lower weights of film can be used without diminishing the integrity of the final pack of containers.



The newly-developed UN-certificated container incorporating recycled polymer.

### Liquid Foods division

The transport project on which we reported last year continues with further investment in new vehicles, ensuring fuel efficiency and compliance with current emission guidelines. The whole question of fuel efficiency has recently been highlighted by the steep increase in fuel tax imposed in the last budget, the costs of which are estimated at around £2,000 per truck per annum, hence any saving of fuel this year will be doubly beneficial.

An independent air quality assessment was carried out at Littleborough which was found to be well within the guidelines, but more importantly a procedure has been developed which can be adopted by all sites as a standard.

Two matters of concern environmentally were reported during the year. Firstly, a ground water contamination problem at Newport Pagnell was overcome by the installation of a £20,000 interceptor system. The second concerned potential contamination by CFCs at Littleborough. This was traced to small leaks from chilling equipment and a modification is in hand to deal with these. A beneficial result of this incident is that a method of measurement has been devised to monitor the seepage and this will be of advantage to all of our manufacturing sites.

### Plysu Recycling

Plysu's position on environmental issues has been consistent over a long period, and involves activities which are central to many of its operating divisions. Reduction in container weights, the development of re-use systems and closed-loop recycling initiatives are all high on the agenda for Plysu's packaging divisions. With this very positive attitude being taken, it is disappointing that the UK's widely acclaimed innovative interpretation of the European Directive on the handling of waste packaging has not been the immediate success we hoped for.

The devil, as so often, is in the detail, and the legislation is not quite tight enough to provide the level playing field to permit supply and demand economics to drive the UK towards the demanding targets set by the EU. In particular, there are three areas which cause concern:

- confusion over the volumes of packaging being handled in the UK (which in turn creates confusion over how much recycling needs to be achieved in a particular year);
- doubts over whether the system is being properly controlled, both from the point of view of companies deliberately ignoring or underestimating their own usage of packaging, and from the point of view of some recyclers overestimating their recycling activities;
- the lack of an incentive for obligated companies to build long-term partnerships to allow the necessary investment decisions to be made (activity tends to be concentrated only on fulfilling the UK's obligation for the year in question, placing impossible pressures on later years, when targets rise more steeply).

Plysu has taken a prominent role in debating these issues with many in the industry and lobbying the policy makers to make the changes to give this unique approach a chance to prove that it is the lowest cost method for achieving the EU targets. The next 12 months should give us a clearer idea of the chances of success. Plysu is uniquely positioned to benefit from its integrated approach to the manufacturing and recycling of packaging.

### Personal Care division

The investment made last year in the energy saving aspects of the new building at Llantrisant are already apparent and have resulted in higher manufacturing efficiency from production machinery – further evidence that environmental considerations can reap financial rewards.

Malcolm Macintyre  
Chief executive

## Directors and advisers

### Chairman

David O'Shaughnessy is aged 64, was appointed non-executive chairman in September 1993 and is chairman of the remuneration committee and a member of the audit committee. He is non-executive chairman of Fulmar plc and Clearvision Ltd, a non-executive director of B.W.I. plc and a director of Pira International.

### Executive directors

Malcolm Macintyre is aged 56 and joined Plysu in 1979. He was appointed to the board as production director in 1982 and became chief executive in 1993. He is a director of Recoup Ltd and the Packaging Federation Ltd. Mr Macintyre is a chartered engineer.

Stephen Nobbs is aged 50 and was appointed finance director in December 1986. He is a chartered accountant.

Nick Templeton-Ward is aged 48. He joined Plysu as sales and marketing director in 1991 and was appointed group managing director in 1996.

### Non-executive directors

Alan Brooker is aged 67 and was appointed a director in 1988. He is chairman of the audit committee and a member of the remuneration committee. He is a director of Aukett Associates plc and Acal plc. Mr Brooker is a chartered accountant.

Adri Sips is aged 61 and was appointed a director in 1999. He was until 1998 a senior director with DSM N.V.

#### Company secretary

Paul Manuel BA FCIS

#### Registered office

120 Station Road  
Woburn Sands  
Milton Keynes  
MK17 8SE

#### Registered number

400002

#### Auditors

KPMG Audit Plc  
Norfolk House  
Silbury Boulevard  
Central Milton Keynes  
MK9 2HA

#### Bankers

Barclays Bank plc  
Ashton House  
497 Silbury Boulevard  
Central Milton Keynes  
MK9 2LD

ABN AMRO Bank N.V.  
101 Moorgate  
London EC2M 6SB

#### Merchant bankers

Robert Fleming & Co Ltd  
25 Copthall Avenue  
London EC2R 7DR

#### Public relations

Millham Communications  
4 City Road  
Finsbury Square  
London EC1Y 2AA

#### Registrars

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Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

#### Solicitors

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200 Aldersgate Street  
London EC1A 4JJ

Howes Percival  
Oxford House  
Cliftonville  
Northampton NN1 5PN

#### Stockbrokers

Warburg Dillon Read  
1 Finsbury Avenue  
London EC2M 2PP

Matheson Investments Ltd  
63 St Mary Axe  
London EC3A 8AA



## Directors' report for the year ended 31 March 1999

### Compliance statement on corporate governance

In June 1998, the London Stock Exchange published the *Principles of Good Governance and Code of Best Practice* ('the Combined Code') which consolidated and replaced the previous Cadbury, Greenbury and Hampel Reports. The board is accountable to shareholders for good governance and the information and statements below describe how the principles identified in the Combined Code are applied to the company.

The procedures adopted by the board and subsequently reviewed and updated are designed to comply with the Combined Code, defining the constitution and responsibilities of the board and the various board committees as appropriate.

### Statement on compliance

The board believes that, based on the information below, and except as where indicated, the company has, throughout the financial year, applied the principles of the Combined Code and complied with the provisions set out in section 1 thereof.

The board has not complied throughout the year with the provision of the Combined Code which requires the appointment of three non-executive directors to the audit committee, believing that the current appointments have been appropriate to the size of the company. The principal corporate governance procedures are summarised as follows:

### The board

The board comprises the (non-executive) chairman, three executive directors and two other non-executive directors, one of whom was appointed on 1 June 1999. Further details are set out on page 14. After careful consideration, the board is of the view that the non-executive directors can be considered independent of the executive management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. The board acknowledges that there should be a clear division of responsibilities at the head of the company and accordingly the roles of the chairman and the chief executive remain separate.

At present, the non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the articles of association, whereby one-third of the non-executive directors retire by rotation each year. However, the executive directors have been exempt from this requirement under the terms of the current articles. In recognition of the Combined Code requirement that all directors should be required to submit themselves for re-election at least every three years the relevant amendments to the company's articles of association are to be put to the company's annual general meeting.

The three executive directors have service contracts that have a notice period of 24 months from the company to the director and 12 months from the director to the company, whilst agreements with non-executive directors are for fixed periods, normally of two years.

The board has not complied with the provision of the Combined Code which requires appointment of a senior independent director, believing that in view of the size and composition of the board it is inappropriate, shareholders being able to contact any member of the board.

The board is responsible to shareholders for the effective control and proper management of the company and there is a schedule of matters specifically reserved to the board for approval. These include risk management including pensions and insurance, determining strategy and policy, acquisitions and disposals, approval of major capital expenditure projects and consideration of significant financial matters. It meets a minimum of eight times per year to consider information previously agreed with and requested from management which is supplied on a timely basis to enable it to discharge its duties. Additional meetings are arranged as necessary.

All directors have access to the company secretary who is responsible to the board for ensuring that all applicable procedures and regulations are complied with. Directors have the right to obtain independent professional advice in connection with their duties, at the company's expense. An induction programme exists for newly appointed directors; other training is provided as required.

## Directors' report continued

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The board has established three standing committees in which the non-executive directors play an active role and which operate within defined terms of reference laid down by the board. During the year these committees have been constituted as follows:

### **Audit committee**

The audit committee comprises the non-executive chairman, Mr O'Shaughnessy, together with the other non-executive director, Mr Brooker, and is chaired by Mr Brooker. The committee is responsible for monitoring the adequacy of the company's financial and internal controls and risk management, monitoring the company's accounting policies and financial reporting, providing a forum through which the auditors report to the board and non-executive directors and ensuring the provision of information to enable the board to present a balanced and understandable assessment of the company's position and prospects. The committee also discusses the scope of the auditors' work and their associated fees. It meets a minimum of twice a year and the auditors, the chief executive and the finance director attend when appropriate. The effectiveness of the group's system of internal control is reviewed annually by the board. The committee also receives reports from the company's auditors that comment on financial matters that they have identified and it has an opportunity at least once a year to have a discussion with the auditors, without executives present, to ensure that there are no unresolved issues of concern.

### **Remuneration committee**

The committee comprises the non-executive chairman, Mr O'Shaughnessy, together with the other non-executive director, Mr Brooker, and is chaired by Mr O'Shaughnessy. The committee makes recommendations to the board on the company's framework of executive remuneration, which is established by the board on the advice of the committee, and determines on its behalf specific remuneration packages for each of the executive directors.

The remuneration policy has been determined with a view to providing rewards which are designed to attract, retain and motivate executives of the appropriate calibre. In considering these matters the committee takes account of current market practice with regard to levels of remuneration, has received advice from independent consultants and takes account of the methods of aligning the interests of directors with shareholders.

The remuneration structure relating to the directors is set out on pages 20 to 23.

### **Nomination committee**

The committee consists of the non-executive directors who are responsible for making recommendations to the board in relation to any appointment to the board.

### **Relations with shareholders**

The company seeks to develop regular dialogue with shareholders through meetings with individuals, principally via the chief executive and finance director, and with private shareholders who have the opportunity to attend and put questions at the company's annual general meeting.

### **Internal control**

The Combined Code has introduced a new requirement that the directors review the effectiveness of all internal controls, not only financial controls as previously. This extends the review to cover all controls including operational, compliance and risk management.

As official guidance on the review of non-financial internal control has not yet been published, the directors are unable to make a formal statement about the effectiveness of their system of non-financial internal controls before the year end. However, the directors have continued to follow existing guidance and have reviewed the effectiveness of the group's internal financial control system for the financial year ended 31 March 1999 on that basis.

The directors are nevertheless responsible for establishing and maintaining the group's entire system of internal controls and have continued to operate a regular review process with the objective of identifying and limiting business risks. The systems of internal control are designed to meet the group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable but not absolute assurance.

### **Management structure**

Clear lines of authority exist between each operating division and the group's executive management. The board meets regularly and has a schedule of matters reserved for its consideration and decision to provide control over strategic, financial and organisational matters.

### **Group finance manual**

The ethos of the group, delegation of authority and authorisation levels and other control procedures together with accounting policies and procedures are communicated through the group and laid out in the group finance manual.

#### Identification of business risks

The board is responsible for identifying the major business risks faced by the group and for determining courses of action to minimise those risks.

#### Planning process

The group operates a comprehensive planning system including detailed reviews at all levels of the operation together with formal reviews and approval of annual plans by the board. Actual performance is reported on a monthly basis measured against plan, prior year and the latest forecast including detailed explanation of major variances.

#### Investment appraisal

The group has clearly defined guidelines for capital expenditure and investment approval. These include annual plans, detailed appraisal and review procedures, levels of authority and due diligence requirements when businesses are being acquired. Any disposal of a business also needs board approval.

#### Going concern

The financial statements have been prepared on the going concern basis since the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future.

#### Business review

During the year the group's principal activities were in the areas of blow-moulded plastics containers for use in the dairy, drinks, food, automotive, agrochemical, personal care and general industrial markets; the group also has significant interests in the garden and housewares markets for plastics products, and in personal protection systems.

The chairman's statement and chief executive's review on pages 2 to 11 outline the significant developments during the year and the future prospects of the group.

#### Dividends and group profit

An interim dividend of 2.2p (1998: 2.2p) per share was paid on 5 February 1999. A final dividend of 6.4p (1998: 6.2p) is proposed to be paid on 23 July 1999 to holders of ordinary shares on the register at the close of business on 25 June 1999. This will result in a total dividend for the year of 8.6p (1998: 8.4p).

Dividends account for £4.2m (1998: £4.0m) of the profit on ordinary activities after taxation, leaving a retained profit for the year of £3.6m (1998: £3.0m).

#### Fixed assets

Following a valuation in 1998 the directors are of the opinion that the value of the group's land and buildings at that time was £34.9m, which is in excess of the net book value shown in the current financial statements. The valuation was undertaken by Fuller Peiser using existing use value, depreciated replacement cost and open market value, as appropriate to each of the sites. In addition, land and buildings have been acquired with the business of BXL Plastics.

#### Directors

The names of the executive and non-executive directors at the end of the year are set out on page 14.

Messrs O'Shaughnessy, Brooker, Macintyre, Nobbs and Templeton-Ward served as directors throughout the year. Mr Brooker will retire from the board at the conclusion of the annual general meeting. Mr Sips was appointed a director on 1 June 1999 and, in accordance with the articles of association, offers himself for election. In anticipation of the amendments to the company's articles of association referred to above, Mr Macintyre will retire by rotation at the annual general meeting and, being eligible, offers himself for re-election.

#### Directors' interests in shares in Plysu plc

Directors' interests in the ordinary shares and options to subscribe for ordinary shares of the company at 31 March 1999 are shown in the tables on pages 22 and 23. The executive directors hold share options under the terms of the Plysu Executive Share Option Schemes and the Plysu Savings Related Share Option Scheme. Shares are also held under the terms of the Plysu Share Purchase Scheme.

## Directors' report continued

### Substantial shareholdings

As at 3 June 1999 (the latest practicable date before publication of this report) the company had been notified of the following interests of 3% or more in the company, in accordance with the provisions of the Disclosure of Interests in Shares (Amendment) Regulations 1993:

PDFM	16.88%
Britannic Assurance	11.95%
Prudential Corporation	10.67%
Norwich Union	6.21%
Equitable Life Assurance Society	4.43%

### Employees

Plysu recognises the importance of employees' involvement and consultation in the performance of the group's businesses and aims to achieve a sense of shared commitment. In addition to a regular magazine providing information on the group's developments there is regular consultation with employees through works councils. By the end of 1999 it is intended that the arrangements for the establishment of a European works council will also be in place.

The group pursues a policy of equal opportunity for all employees and potential employees. People with disabilities are, whenever possible, given the same opportunities for employment, training, career development and promotion, taking into account their individual abilities and qualifications. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation or training.

### Political and charitable donations

The group made no political donations during the year. Donations to UK charities amounted to £9,000 (1998: £5,000).

### Research and development

It is the group's policy to commit sufficient funds to enable it to keep abreast of all product, process, market and system developments in the fields in which it operates.

### Auditors

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

### Supplier payment policy

The group does not follow a specific standard or code for the payment of suppliers. It agrees payment terms with its suppliers when it enters into purchase contracts. It then seeks to adhere to these arrangements providing it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. In the company, as at 31 March 1999, 67 days purchases remained outstanding (1998: 66 days).

### Year 2000

The group has made substantial efforts to ensure that the widely publicised year 2000 computer problem is dealt with well in advance of the end of 1999 – insofar as it is possible to identify and remedy every possible non-compliant component.

The group has introduced a completely new management information system (at a cost of some £1.7m) which is designed to be 'millennium-proof' and which has replaced almost all of the systems which would otherwise be likely to be non-compliant. Surveys of manufacturing and other equipment components have been undertaken and assurances have been sought and obtained from third-party suppliers and, in addition, a testing programme is due to be completed during July 1999. The directors receive frequent reports on the group's efforts in this area, which are overseen directly by the finance director.

In the knowledge that year 2000 issues may arise in areas beyond the group's control, detailed contingency plans are being developed.

### Annual general meeting

The notice of meeting on pages 47 and 48 sets out in detail the business to be dealt with at the annual general meeting of the company to be held on 13 July 1999. The special business comprises the renewal, within prescribed limits, of (i) the authority of the directors to allot securities of the company up to the available unissued capital; (ii) the disapplication of the statutory pre-emption rights; (iii) an amendment to the articles of association of the company in respect of the retirement by rotation of the directors and several minor technical changes required to bring the articles up to date with the current London Stock Exchange Listing Rules.

In June 1998, the Hampel Committee on Corporate Governance published the Combined Code setting out principles of good governance and a code of best practice for their implementation. As part of the company's compliance with the Combined Code, the opportunity is being taken at this year's annual general meeting to amend Article 73 of the company's articles of association so as to ensure that, as recommended in the Combined Code, each director must stand for re-election at intervals of no more than three years. It is also proposed that Article 74 be amended by removing the exclusion from retirement by rotation of those directors who hold executive office. In anticipation of shareholder approval of this amendment Mr Macintyre will retire by rotation at the annual general meeting.

In addition, the Listing Rules of the London Stock Exchange require that a listed company's articles of association comply with the requirements of Chapter 13 of the Listing Rules. It is therefore proposed that the following amendments to the company's articles of association be made in order to bring them fully into line with current Stock Exchange requirements:

(i) Article 11(C) is proposed to be amended to make clear that a new share certificate issued to replace one that has been worn out, lost or destroyed is to be issued without charge;

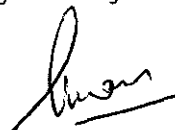
(ii) Article 29(A) is proposed to be amended such that restrictions on the transfer of partly paid-up shares which are listed are only permissible provided they are not such as to prevent dealings in the shares taking place on an open and proper basis;

(iii) Article 66(B) is proposed to be amended to make clear precisely when sanctions for non-compliance with a Section 212 notice come to an end;

(iv) Article 71(A)(ii) is proposed to be amended by increasing the time limit required for notice to be given to the company of a proposal to elect a director at a meeting who has not been recommended by the company's board, from not more than 28 days before the date appointed for the meeting, to not more than 42 days before such date; and

(v) Article 102(C) is proposed to be amended by deleting sub-Article (v) such that the exceptions to the rule that a director cannot vote on a contract or arrangement in which he is interested are in accordance with those permitted by the Listing Rules.

By order of the board  
Paul Manuel  
Secretary  
14 June 1999



# Report on directors' remuneration for the year ended 31 March 1999

## Remuneration policy

The remuneration committee, constituted as stated on page 16, aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate directors and senior executives of the right calibre. The committee also seeks to recognise and reward performance in achieving growth both annually and in the long term. In forming its remuneration policy the committee has given full consideration to the provisions of Section B of the Combined Code.

## Executive directors

The main components of the package for each executive director are:

### Basic salary

Basic salary is determined after taking into account the performance of the individual and information from independent sources on the rates of salary for similar positions in companies of comparable size in a range of competitive industries.

### Annual bonus scheme

The annual performance bonus is based on the achievement of specific profit and cash flow targets selected each year which will prove to be of value to the company and its shareholders. The bonus targets are

set by the remuneration committee each year. Bonuses payable under this scheme are capped at 21% of each director's basic salary. Bonuses totalling £52,000 are payable to the executive directors under the terms of the annual bonus scheme in respect of the results for the year ended 31 March 1999.

### Medium-term incentive scheme

This scheme is based on meeting in each financial year cash flow and earnings per share targets set three years previously and arising from the business planning process. Bonuses payable under this scheme are capped at 150% of salary. Bonuses totalling £340,000 are payable to the executive directors in respect of the results for the year ended 31 March 1999.

### Share purchase scheme

At the invitation of the remuneration committee an executive director may acquire an interest in the company shares exclusively by means of using part or all of the bonuses (net of tax) payable under the annual bonus and medium-term incentive schemes. The participant deposits such shares with the trustees of the Plysu 1995 Employees' Share Ownership Plan Trust (Mourant & Co. Trustees Limited, an independent trustee company based in Jersey) and the trustees award to the participant a right to acquire at a nominal

## Directors' remuneration

	1999 Salary	1999 Bonus†	1999 Fees	1999 Share options §	1999 Benefits*	1999 Total	1998 Total
	£000	£000	£000	£000	£000	£000	£000
<i>Chairman</i>							
D H O'Shaughnessy †	—	—	48	—	—	48	46
<i>Executive directors</i>							
M V S Macintyre	148	149	—	—	9	306	285
S S Nobbs	115	116	—	—	8	239	228
N D Templeton-Ward	155	127	—	—	9	291	261
<i>Non-executive directors</i>							
F M Bircher † (R)	—	—	—	—	—	—	5
A B Brooker †	—	—	20	—	—	20	18
<b>Totals</b>	<b>418</b>	<b>392</b>	<b>68</b>	<b>—</b>	<b>26</b>	<b>904</b>	<b>843</b>

† Payable under the annual bonus scheme and the medium-term incentive scheme, described above. In accordance with the rules of the share purchase scheme, the executive directors may elect to purchase company shares in the open market using the proceeds of the bonuses (net of tax) and to deposit these shares with the trustees of the scheme.

§ Gain upon exercise of share options.

\* Benefits comprise all benefits arising from employment by the company: these relate mainly to the provision of a company car and private medical insurance cover.

† Non-executive director.

(R) Retired 16 July 1997.

price a matching number of company shares equivalent to bonuses (before deduction of tax) used to purchase the deposited shares. This right can in normal circumstances only be exercised (if the participant is still employed by the group) for a period of two years commencing five years after the right is awarded.

Awards were made under the terms of this scheme in July 1997 and in July 1998, as set out on page 23.

#### Share options

Options are held by the executive directors under the group's executive share options and savings related share option schemes. Details of these are shown on page 22.

#### Pensions

The executive directors are all members of the Plysu plc Staff Pension Scheme and the pension contributions made by the company were as agreed with the actuary to the scheme. They are entitled to pensions of two-thirds of their pensionable salary upon retirement at age 60 but Mr Templeton-Ward's entitlement from the company pension plan is limited to the level of the earnings cap. A sum (based on a fixed percentage of salary) is paid annually to Mr Templeton-Ward as additional salary to fund the balance of his pension benefits up to the level due as if the earnings cap did not apply. All executive directors' pension arrangements include dependants' pensions and lump sums payable in the event of death in service. The chairman and other non executive directors are not entitled to pension benefits.

All pensions in payment are reviewed annually with a guaranteed increase in line with RPI up to a maximum of 5%. Pensionable salary is the director's basic salary. The value of the directors' pensions benefits accrued during the year are set out below.

#### Chairman

The remuneration of the chairman is determined in his absence by the remuneration committee after consultation with the chief executive and reflects the nature and extent of his part-time responsibilities.

#### Non-executive directors

The fees of the non-executive directors are determined by the board (but with the individual non-executive directors themselves abstaining from voting) on the chairman's recommendation based on comparable market levels.

#### Service agreements

Each executive director has a service agreement providing for a notice period from the company of two years and for retirement on the 60th birthday of the director. The remuneration committee considers that, notwithstanding the provisions of the Combined Code, two-year service agreements are appropriate for the business. No other director has a service agreement.

#### Details of directors' accrued pension benefits

	Accumulated total accrued pension at 31 March 1998 £ per annum	Increase in accrued pension during the year		Accumulated total accrued pension at 31 March 1999 £ per annum	Transfer value of increase as at 31 March 1999 £
		Due to inflation £ per annum	In addition to inflation £ per annum		
M V S Macintyre	69,042	2,210	6,682	77,934	97,360
S S Nobbs	32,934	1,054	5,472	39,460	64,287
N D Templeton-Ward	18,433	590	3,120	22,143	33,313

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. It does not include any increases which might occur during the period from the date shown to retirement age. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

# Report on directors' remuneration continued

## Directors and their total interests in shares in Plysu plc at 31 March

	1999 Ordinary shares (including deposited shares*)	1999 Ordinary shares under option	1999 Matching shares†	1998 Ordinary shares	1998 Ordinary shares under option	1998 Matching shares†
D H O'Shaughnessy	8,000	-	-	8,000	-	-
M V S Macintyre	61,577	104,414	80,075	20,507	103,939	10,243
S S Nobbs	70,058	105,931	66,440	35,525	105,931	7,781
N D Templeton-Ward	43,854	171,348	74,815	5,046	171,348	8,893
A B Brooker	2,000	-	-	2,000	-	-

\* Deposited shares are shares purchased by the directors in accordance with the terms of the share purchase scheme.

† Matching shares are normally transferred to the directors only after a period of five years from the date of the award, in accordance with the terms of the share purchase scheme.

There have been no changes in the directors' share interests since 31 March 1999.

## Directors' interests in options over shares in Plysu plc

Director and date of grant of option	At 1 April 1998	Number of options			At 31 March 1999	Exercise price Pence	Market price at date of exercise Pence	Date from which exercisable	Expiry date
<b>M V S Macintyre</b>									
22/12/92	44,000	-	-	-	44,000	240.0	-	22/12/95	22/12/02
08/10/93	1,825	-	-	1,825	-	189.0	-	08/10/98	08/03/99
10/01/94	25,000	-	-	-	25,000	217.4	-	10/01/97	10/01/04
25/08/94	4,539	-	-	-	4,539	152.0	-	14/10/99	14/04/00
07/07/95	2,183	-	-	-	2,183	158.0	-	18/09/00	18/03/01
09/07/96	1,392	-	-	-	1,392	140.0	-	13/09/99	13/03/00
13/12/96	25,000	-	-	-	25,000	158.5	-	13/12/99	13/12/03
06/07/98	-	2,300	-	-	2,300	150.0	-	07/09/03	07/03/04
	103,939	2,300	-	1,825	104,414				
<b>S S Nobbs</b>									
22/12/92	44,000	-	-	-	44,000	240.0	-	22/12/95	22/12/02
10/01/94	25,000	-	-	-	25,000	217.4	-	10/01/97	10/01/04
25/08/94	4,539	-	-	-	4,539	152.0	-	14/10/99	14/04/00
09/07/96	7,392	-	-	-	7,392	140.0	-	13/09/01	13/03/02
13/12/96	25,000	-	-	-	25,000	158.5	-	13/12/99	13/12/03
	105,931	-	-	-	105,931				
<b>N D Templeton-Ward</b>									
22/12/92	110,000	-	-	-	110,000	240.0	-	22/12/95	22/12/02
10/01/94	25,000	-	-	-	25,000	217.4	-	10/01/97	10/01/04
25/08/94	11,348	-	-	-	11,348	152.0	-	14/10/99	14/04/00
13/12/96	25,000	-	-	-	25,000	158.5	-	13/12/99	13/12/03
	171,348	-	-	-	171,348				

The options granted on 8 October 1993, 25 August 1994, 7 July 1995, 9 July 1996 and 6 July 1998 relate to the savings related share option scheme. All other options relate to the executive share option schemes.

The market price of Plysu plc ordinary shares at 31 March 1999 was 135.5p and the range during the year was 100.5p to 187.5p.



**Directors' interests in deposited and matching shares under the terms of the Pysu share purchase scheme**

Director and date of purchase or award	Shares bought and deposited	Deposited shares Price paid for deposited shares	Matching shares awarded	Exercisable from	Matching shares Expiry date	Market value at 31 March 1999 £
<b>M V S Macintyre</b>						
19/06/97	5,812	159p				
23/07/97			10,243	23/07/03	23/07/05	13,879
11/06/98-08/07/98	41,070	181p*				
23/07/98			69,832	23/07/04	23/07/06	94,622
	<b>46,882</b>		<b>80,075</b>			<b>108,501</b>
<b>S S Nobbs</b>						
19/06/97	4,413	159p				
23/07/97			7,781	23/07/03	23/07/05	10,543
11/06/98-08/07/98	34,533	181p*				
23/07/98			58,659	23/07/04	23/07/06	79,483
	<b>38,946</b>		<b>66,440</b>			<b>90,026</b>
<b>N D Templeton-Ward</b>						
19/06/97	5,046	159p				
23/07/97			8,893	23/07/03	23/07/05	12,050
11/06/98-08/07/98	38,808	181p*				
23/07/98			65,922	23/07/04	23/07/06	89,324
	<b>43,854</b>		<b>74,815</b>			<b>101,374</b>

\* Average price.

**Directors' responsibilities** in the preparation of financial statements

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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 group 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 group and to prevent and detect fraud and other irregularities.

# Report of the auditors to the members of Plysu plc

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We have audited the financial statements on pages 25 to 45.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 23 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 15 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the the company's corporate governance procedures or its internal controls.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of audit 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 group'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 affairs of the company and the group as at 31 March 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Milton Keynes  
14 June 1999

## Group accounting policies

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### Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings, and in accordance with the Companies Act 1985 and applicable accounting standards.

### Consolidation

The consolidated financial statements incorporate the assets and liabilities of the company and all of its subsidiary undertakings at 31 March 1999 and their results for the periods during the year to that date in which they were part of the group. Advantage is taken of the exemption provided by section 230 of the Companies Act 1985 and a separate profit and loss account of Plysu plc is not presented. The results of the company are disclosed in note 18.

### Goodwill

Up to and including 31 March 1998, purchased goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separable net assets acquired and was written off against the merger reserve on acquisition. Goodwill remains written off against reserves. Since 1 April 1998, purchased goodwill is capitalised at cost and amortised on a straight line basis over its estimated useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods, if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is included in the balance sheet and recognised in the profit and loss account in the period in which the acquired non monetary assets are recovered.

On a subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill not written off through the profit and loss account, including any previously taken to reserves.

### Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets to their residual values over their estimated useful economic lives as follows:

Straight line	
Freehold buildings	50 years
Plant and machinery	5 to 10 years
Moulds	2 to 5 years
Reducing balance	
Motor vehicles	25% to 33% per year

No depreciation is provided on freehold land.

Profits and losses on the sale of fixed assets which represent marginal adjustments to depreciation previously charged are included in the profit and loss account in the same place as their related depreciation.

In accordance with FRS 11 the directors consider the carrying value of fixed assets for impairment. Any reductions in value arising from the impairment of fixed assets is charged to the profit and loss account for the year.

### Stocks

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of 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 for deferred taxation is made if it is probable that such deferred taxation will be payable in the foreseeable future.

## Group accounting policies continued

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### Foreign currencies

#### Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowing, to the extent that they are used to finance foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

#### Group

For consolidation purposes, attributable profits of overseas subsidiaries are translated into sterling at the average rate for the year and their assets and liabilities are translated at the rate ruling at the balance sheet date. The exchange differences arising are taken directly to reserves.

### Pension costs

The group operates both defined benefit and defined contribution pension schemes, the assets of which are held independently from the group. Contributions paid to the defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' average working lives with the group.

Contributions paid to defined contribution schemes are charged to the profit and loss account in the period in which they arise.

### Government grants

Government grants are credited to the profit and loss account evenly during the development phase of the project to which they relate.

### Leases

Rental charges for the group's operating leases are charged to the profit and loss account as they accrue. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future obligations under these leases and hire purchase contracts are included as liabilities in the balance sheet.

### Derivatives and other financial instruments

The group's policy is to state all borrowings at their nominal value. Interest is dealt with in the period in which it arises. For further information, see note 20.

### Research and development

The research and development costs of new products and services are written off in the year of expenditure except for projects where recovery is reasonably certain, in which case development costs may be capitalised and amortised over the period expected to benefit from the development.

## Consolidated profit and loss account for the year ended 31 March 1999

		Continuing operations		1999	1998
			Acquisitions	Total	Total
	Notes	£m	£m	£m	£m
Turnover	1	142.4	7.6	150.0	143.7
Cost of sales	3	(101.1)	(5.5)	(106.6)	(105.9)
<b>Gross profit</b>		<b>41.3</b>	<b>2.1</b>	<b>43.4</b>	<b>37.8</b>
Net operating expenses	2-3	(28.5)	(1.1)	(29.6)	(25.6)
<b>Operating profit on ordinary activities before interest</b>		<b>12.8</b>	<b>1.0</b>	<b>13.8</b>	<b>12.2</b>
Interest payable	5			(2.5)	(2.0)
<b>Profit on ordinary activities before taxation</b>				<b>11.3</b>	<b>10.2</b>
Taxation on profit on ordinary activities	6			(3.5)	(3.2)
<b>Profit on ordinary activities after taxation</b>				<b>7.8</b>	<b>7.0</b>
Appropriated for dividends paid and to be paid	7			(4.2)	(4.0)
<b>Retained profit for the year</b>	18			<b>3.6</b>	<b>3.0</b>
<b>Earnings per share</b>					
Basic	8			<b>16.2p</b>	14.5p
Diluted	8			<b>16.1p</b>	14.5p

There is no material difference between the profit as reported above and those under a historical cost basis.

## Consolidated statement of total recognised gains and losses for the year ended 31 March 1999

	1999	1998
	£m	£m
Profit on ordinary activities after taxation	7.8	7.0
Exchange gains/(losses) on foreign currency net investments	0.8	(2.4)
<b>Total recognised gains and losses for the financial year</b>	<b>8.6</b>	<b>4.6</b>

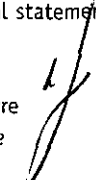
# Balance sheets

as at 31 March 1999

	Notes	GROUP		COMPANY	
		1999 £m	1998 £m	1999 £m	1998 £m
<b>Fixed assets</b>					
Intangible assets					
Goodwill	9	1.9	-	0.4	-
Negative goodwill	9	(2.9)	-	(2.9)	-
		(1.0)	-	(2.5)	-
Tangible assets	10	79.4	67.2	62.0	51.5
Investments	11	-	-	22.2	19.0
		78.4	67.2	81.7	70.5
<b>Current assets</b>					
Stocks	12	14.4	11.2	10.4	7.9
Debtors	13	38.7	32.7	33.6	27.3
Cash		2.9	4.5	1.1	3.1
		56.0	48.4	45.1	38.3
<b>Creditors</b>					
Amounts falling due within one year	14	(51.1)	(52.0)	(45.5)	(46.3)
<b>Net current assets/(liabilities)</b>		4.9	(3.6)	(0.4)	(8.0)
<b>Total assets less current liabilities</b>		83.3	63.6	81.3	62.5
<b>Creditors</b>					
Amounts falling due after more than one year	14	(25.4)	(15.9)	(24.3)	(15.4)
<b>Provisions for liabilities and charges</b>	15-16	(8.1)	(2.4)	(7.6)	(2.2)
<b>Net assets</b>		49.8	45.3	49.4	44.9
<b>Capital and reserves</b>					
Called up equity share capital	17	4.8	4.8	4.8	4.8
Share premium account	18	1.0	0.9	1.0	0.9
Merger reserve	18	-	-	1.7	1.7
Profit and loss account	18	44.0	39.6	41.9	37.5
<b>Equity shareholders' funds</b>		49.8	45.3	49.4	44.9
Minority interest		-	-	-	-
		49.8	45.3	49.4	44.9

These financial statements were approved by the board of directors on 14 June 1999 and were signed on its behalf by:

M V S Macintyre  
Chief executive



# Consolidated cash flow statement

for the year ended 31 March 1999

		1999		1998	
	Notes	£m	£m	£m	£m
<b>Net cash inflow from operating activities</b>	22		27.7		22.3
<b>Returns on investments and servicing of finance</b>					
Interest paid		(2.3)		(1.9)	
Interest element of finance lease rental payments		(0.1)		(0.1)	
<b>Cash outflow from returns on investments and servicing of finance</b>			(2.4)		(2.0)
<b>Taxation</b>					
Tax paid		(3.1)		(2.3)	
<b>Net cash outflow from taxation</b>			(3.1)		(2.3)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(17.8)		(12.8)	
Receipts from sale of tangible fixed assets		0.2		1.7	
<b>Net cash outflow from capital expenditure and financial investment</b>			(17.6)		(11.1)
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertakings, trades and businesses		(5.7)		(5.1)	
Net cash acquired with subsidiaries		0.1		0.3	
<b>Net cash outflow from acquisitions and disposals</b>			(5.6)		(4.8)
<b>Equity dividends paid</b>			(4.1)		(3.7)
<b>Net cash outflow before use of liquid resources and financing</b>			(5.1)		(1.6)
<b>Financing</b>					
Issue of ordinary share capital		0.1		-	
<b>Debt due within a year</b>					
Capital element of finance lease rental payments		(0.2)		-	
(Decrease)/increase in short-term unsecured borrowings		(5.3)		5.0	
Repayment of secured borrowings		-		(0.7)	
<b>Debt due after one year</b>					
Increase in medium term unsecured borrowings		9.7		-	
Capital element of finance lease rental payments		-		(0.5)	
<b>Net cash inflow from financing</b>			4.3		3.8
<b>(Decrease)/increase in cash in the period</b>			(0.8)		2.2

## Reconciliation of net cash flow to movement in net debt

for the year ended 31 March 1999

	Notes	1999		1998	
		£m	£m	£m	£m
(Decrease)/increase in cash in the period		(0.8)		2.2	
Cash inflow from increase in debt and lease financing		(4.2)		(3.8)	
Change in net debt resulting from cash flows			(5.0)		(1.6)
Loans and finance leases acquired with subsidiaries			-		(1.2)
Translation difference			(0.3)		0.1
<b>Movement in net debt in the period</b>			(5.3)		(2.7)
Opening net debt	23		(20.1)		(17.4)
<b>Closing net debt</b>	23		(25.4)		(20.1)

## Reconciliation of movements in shareholders' funds

for the year ended 31 March 1999

	1999	1998
	£m	£m
Profit on ordinary activities after taxation	7.8	7.0
Dividends	(4.2)	(4.0)
Other recognised gains and losses related to the year (net)	0.8	(2.4)
New share capital issued including share premium	0.1	-
Goodwill written off in the year	-	(5.5)
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>4.5</b>	<b>(4.9)</b>
Opening shareholders' funds	45.3	50.2
<b>Closing shareholders' funds</b>	<b>49.8</b>	<b>45.3</b>



# Notes to the financial statements

## 1. Turnover and operating assets

Turnover comprises the value of sales (excluding sales taxes and net of discounts) of goods and services in the normal course of business. Turnover is derived from the group's principal activity of the manufacture of plastics containers and other products for industrial and domestic use.

Geographical segments 1999	Total sales	Turnover by origin		Sales by destination	Operating assets
	£m	Inter-country	Third-party	£m	£m
United Kingdom	121.4	(4.4)	117.0	114.8	57.4
Netherlands	12.7	(0.1)	12.6	9.0	8.3
Belgium	12.1	(0.1)	12.0	6.1	7.0
France	2.6	-	2.6	8.7	0.3
Spain	5.8	-	5.8	5.9	4.9
Germany	-	-	-	3.7	0.1
Rest of Europe	-	-	-	1.3	-
Rest of the world	-	-	-	0.5	-
<b>Group</b>	<b>154.6</b>	<b>(4.6)</b>	<b>150.0</b>	<b>150.0</b>	<b>78.0</b>
<b>Unallocated net assets</b>					<b>(28.2)</b>
<b>Total net assets</b>					<b>49.8</b>

Geographical segments 1998	Total sales	Turnover by origin		Sales by destination	Operating assets
	£m	Inter-country	Third-party	£m	£m
United Kingdom	116.9	(4.0)	112.9	110.8	51.1
Netherlands	12.9	(0.1)	12.8	8.8	7.5
Belgium	12.4	(0.1)	12.3	6.7	6.2
France	2.2	-	2.2	8.9	(1.0)
Spain	3.5	-	3.5	3.4	3.6
Germany	-	-	-	3.3	0.1
Rest of Europe	-	-	-	1.6	-
Rest of the world	-	-	-	0.2	-
<b>Group</b>	<b>147.9</b>	<b>(4.2)</b>	<b>143.7</b>	<b>143.7</b>	<b>67.5</b>
<b>Unallocated net assets</b>					<b>(22.2)</b>
<b>Total net assets</b>					<b>45.3</b>

Results by geographical segment have not been disclosed as, in the opinion of the directors, this would be seriously prejudicial to the interests of the group.

## 2. Operating expenses

	Continuing operations		Total	Total
		Acquisitions	1999	1998
	£m	£m	£m	£m
Distribution costs	13.3	0.4	13.7	12.2
Administration costs	15.2	0.7	15.9	13.4
	28.5	1.1	29.6	25.6

## Notes to the financial statements continued

<b>3. Operating profit</b>	<b>1999</b>	<b>1998</b>
	<b>£m</b>	<b>£m</b>
<b>Stated after charging:</b>		
Depreciation on tangible fixed assets – owned	10.9	9.9
– leased	0.3	0.2
Auditors' remuneration:		
Audit fees – company £0.1m (1998: £0.1m)	0.2	0.2
Non-audit fees to the auditor and its associates – company £0.2m (1998: £0.2m)	0.3	0.2
Charges under operating leases for hire of plant and machinery	0.3	0.2
Charges under other operating leases	0.4	0.2
Research and development costs	0.4	0.5
Amortisation of goodwill	0.1	–
Exceptional costs	–	0.5
<b>And after crediting:</b>		
Government grants	0.3	0.1
Net exchange movements	0.2	0.1
Amortisation of negative goodwill	1.3	–

The exceptional costs in 1998 of £0.5m related to the integration of the acquired businesses of Ward Products and Simon Renfrew Containers Limited. £0.2m was charged to cost of sales and £0.3m to administration charges.

<b>4. Staff costs including directors' emoluments</b>	<b>1999</b>	<b>1998</b>
	<b>£m</b>	<b>£m</b>
Wages and salaries	35.3	31.1
Social security costs	4.4	4.0
Other pension costs (see note 24)	1.7	1.2
	<b>41.4</b>	<b>36.3</b>
	<b>1999</b>	<b>1998</b>
Average number of employees involved in:		
Production	1,620	1,412
Administration, sales and distribution	412	378
	<b>2,032</b>	<b>1,790</b>

The disclosures of directors' emoluments and share interests required by statute are set out in the report on directors' remuneration on pages 20 to 23.

<b>5. Interest payable</b>	<b>1999</b>	<b>1998</b>
	<b>£m</b>	<b>£m</b>
Interest payable on overdrafts and bank loans	2.4	1.9
Interest on finance leases	0.1	0.1
	<b>2.5</b>	<b>2.0</b>

**6. Taxation on profit for the year on ordinary activities**

	1999	1998
	£m	£m
UK corporation tax at 31% (1998: 31%)	2.8	2.9
Adjustment in respect of previous years	-	(0.1)
Overseas tax	0.2	0.2
	3.0	3.0
Charge for deferred tax	0.5	0.2
	3.5	3.2

**7. Dividends on fully paid ordinary shares**

	1999	1998
	£m	£m
Interim of 2.2p (1998: 2.2p) paid 5 February 1999	1.1	1.0
Final of 6.4p (1998: 6.2p) payable 23 July 1999	3.1	3.0
	4.2	4.0

**8. Earnings per ordinary share**

The calculation of basic earnings per fully paid ordinary share is based on earnings of £7.8m (1998: £7.0m) being the profit attributable to ordinary shareholders for the year, and on 48,244,739 shares (1998: 48,123,013), being the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is based on profit for the year of £7.8m (1998: £7.0m), and on 48,510,474 ordinary shares (1998: 48,242,171), calculated as follows:

	1999	1998
Basic weighted average number of shares	48,244,739	48,123,013
Dilutive potential ordinary shares:		
Employee share options and matching shares	265,735	119,158
	48,510,474	48,242,171

## Notes to the financial statements continued

### 9. Intangible fixed assets

	GROUP			COMPANY		
	Goodwill £m	Negative goodwill £m	Total £m	Goodwill £m	Negative goodwill £m	Total £m
<b>Cost</b>						
At 31 March 1998	-	-	-	-	-	-
On acquisitions (note 21)	2.0	(4.2)	(2.2)	0.5	(4.2)	(3.7)
At 31 March 1999	2.0	(4.2)	(2.2)	0.5	(4.2)	(3.7)
<b>Amortisation</b>						
At 31 March 1998	-	-	-	-	-	-
(Charge)/release for year	(0.1)	1.3	1.2	(0.1)	1.3	1.2
At 31 March 1999	(0.1)	1.3	1.2	(0.1)	1.3	1.2
<b>Net book value</b>						
at 31 March 1999	1.9	(2.9)	(1.0)	0.4	(2.9)	(2.5)
at 31 March 1998	-	-	-	-	-	-

Goodwill is being amortised as follows:

- Goodwill arising on the acquisition of the fixed assets and business of bottle manufacturing of The Body Shop International plc is being amortised evenly over the directors' estimate of its useful economic life of six years.
- Goodwill arising on the acquisition of Plastica Balear S.A. is being amortised evenly over the directors' estimate of its useful economic life of ten years.
- Negative goodwill arising on the acquisition of net assets and business of BP Chemicals' bottles and closures business (part of BXL Plastics Ltd) is being released in line with the depreciation and sale of non-monetary assets to which it relates.

## 10. Tangible fixed assets

	GROUP			COMPANY		
	Freehold land and buildings £m	Plant and machinery £m	Total £m	Freehold land and buildings £m	Plant and machinery £m	Total £m
<b>Cost or valuation</b>						
At 31 March 1998	28.9	131.3	160.2	18.1	101.9	120.0
Exchange rate adjustments	0.6	1.7	2.3	-	-	-
On acquisitions	1.0	3.8	4.8	1.0	3.3	4.3
Additions	1.0	17.0	18.0	0.9	14.6	15.5
Intra-group transfers	-	-	-	-	(0.7)	(0.7)
Disposals	-	(2.3)	(2.3)	-	(1.9)	(1.9)
At 31 March 1999	<b>31.5</b>	<b>151.5</b>	<b>183.0</b>	<b>20.0</b>	<b>117.2</b>	<b>137.2</b>
<b>Depreciation</b>						
At 31 March 1998	(5.9)	(87.1)	(93.0)	(2.7)	(65.8)	(68.5)
Exchange rate adjustments	(0.2)	(1.4)	(1.6)	-	-	-
Charge for year	(0.5)	(10.7)	(11.2)	(0.3)	(8.7)	(9.0)
Intra-group transfers	-	-	-	-	0.5	0.5
Disposals	-	2.2	2.2	-	1.8	1.8
At 31 March 1999	<b>(6.6)</b>	<b>(97.0)</b>	<b>(103.6)</b>	<b>(3.0)</b>	<b>(72.2)</b>	<b>(75.2)</b>
<b>Net book value</b>						
At 31 March 1999	<b>24.9</b>	<b>54.5</b>	<b>79.4</b>	<b>17.0</b>	<b>45.0</b>	<b>62.0</b>
At 31 March 1998	23.0	44.2	67.2	15.4	36.1	51.5

Included within fixed assets are non-depreciable assets:

	1999	1998
Group	£m	£m
Land	6.2	6.1
Plant and machinery in the process of commissioning	11.1	5.3
	<b>17.3</b>	11.4
<b>Company</b>		
Land	4.1	4.0
Plant and machinery in the process of commissioning	10.8	5.1
	<b>14.9</b>	9.1

Details of assets held under finance leases and included within plant and machinery:

	1999	1998
Group and company	£m	£m
Net book value	0.5	1.1
Depreciation charge for year	0.3	0.2

## Notes to the financial statements continued

### 10. Tangible fixed assets continued

	1999	1998
<b>Details of revalued assets of the group and company</b>	<b>£m</b>	<b>£m</b>
Land and buildings at 1978 open market valuation	2.9	2.9
Aggregate depreciation thereon	(0.8)	(0.8)
Net book value	2.1	2.1
 Historical cost of revalued assets	 1.4	 1.4
Aggregate depreciation based thereon	(0.7)	(0.6)
Net book value based on historical cost	0.7	0.8

### 11. Fixed asset investments at cost

	Ordinary shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
<b>Company</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 31 March 1998	12.1	6.9	19.0
Recapitalisation of subsidiaries	4.8	(1.5)	3.3
Repayments	-	(0.6)	(0.6)
Exchange rate adjustments	-	0.5	0.5
At 31 March 1999	16.9	5.3	22.2

#### Trading subsidiaries

Manufacture and sale of moulded plastics containers	Country of incorporation	Sale of moulded plastics containers	Country of incorporation
Plysu Halfweg B.V.	Netherlands	Plysu Containers Limited	Great Britain
Plysu Kerkrade B.V.	Netherlands	Plysu Belgium N.V.	Belgium
Plysu Gent N.V.	Belgium	Plysu France S.A.	France
Plysu Montpont S.A.	France	Plysu Deutschland VmbH	Germany
Plysu Envases Alimentarios, S.L. §	Spain		
Iplast S.A.	Spain	<b>Sale of plastics protection systems</b>	
Plastica Balear S.A.	Spain	Plysu Protection Systems Limited	Great Britain
 <b>Sale of moulded plastics, housewares and garden products</b>		 <b>Overseas holding company</b>	
Plysu Brands Limited	Great Britain	Plysu Continental Holdings B.V.	Netherlands
 <b>Sale of plastics closures</b>		 <b>Dormant companies</b>	
Menshen Packaging UK Limited †	Great Britain	AMK Plastics Limited	Great Britain
		Thermakeep Plastics Limited	Great Britain
		Paklite Limited	Great Britain
		Simon Renfrew Containers Limited	Great Britain

All companies are wholly owned and operate principally in their country of incorporation except where noted below.

All non-UK subsidiaries are owned by Plysu Continental Holdings B.V. with the exception of Plysu Montpont S.A. which is owned by Plysu France S.A., and Iplast S.A. and Plastica Balear S.A. which are owned by Plysu Envases Alimentarios, S.L. All companies draw up their accounts to 31 March.

† The group owns 50% of the ordinary share capital of Menshen Packaging UK Limited.

§ There is a 5% minority interest in Plysu Envases Alimentarios, S.L.

**12. Stocks**

	GROUP		COMPANY	
	1999	1998	1999	1998
	£m	£m	£m	£m
Raw materials and consumables	7.6	6.4	5.2	4.4
Work in progress	0.5	0.2	0.5	0.2
Finished goods	6.3	4.6	4.7	3.3
	14.4	11.2	10.4	7.9

**13. Debtors**

	GROUP		COMPANY	
	1999	1998	1999	1998
	£m	£m	£m	£m
Trade debtors	29.6	28.1	6.5	4.2
Amounts owed by group undertakings	—	—	19.5	20.8
Other debtors	7.9	3.7	6.5	2.0
Prepayments and accrued income	1.2	0.9	1.1	0.3
	38.7	32.7	33.6	27.3

£0.8m (1998: £0.5m) of group other debtors and £0.1m (1998: £0.1m) of group prepayments are due after more than one year.

£0.3m (1998: £0.2m) of company other debtors and £0.1m (1998: nil) of company prepayments are due after more than one year.

**14. Creditors**

	GROUP		COMPANY	
	1999	1998	1999	1998
	£m	£m	£m	£m
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts	4.1	9.9	3.6	9.6
Trade creditors	29.3	24.3	22.9	17.5
Amounts due to group undertakings	—	—	3.8	3.3
Other taxes and social security	3.2	2.3	2.8	2.0
Corporation tax	2.2	3.4	2.2	3.2
Other creditors and accruals	9.0	8.8	6.9	7.4
Finance lease creditors	0.2	0.3	0.2	0.3
Proposed dividend	3.1	3.0	3.1	3.0
	51.1	52.0	45.5	46.3
<b>Amounts falling due after more than one year and repayable within five years</b>				
Bank loans	24.0	14.3	23.9	14.2
Other creditors and accruals	1.4	1.5	0.4	1.1
Finance lease creditors	—	0.1	—	0.1
	25.4	15.9	24.3	15.4

## Notes to the financial statements continued

### 14. Creditors continued

	GROUP		COMPANY	
	1999	1998	1999	1998
	£m	£m	£m	£m
<b>Bank loans: amounts repayable in more than one year</b>				
Repayable within one to two years	19.2	14.3	19.1	14.2
Repayable within two to five years	4.8	–	4.8	–
	24.0	14.3	23.9	14.2

The group has no secured borrowings (1998: £nil).

	GROUP		COMPANY	
	1999	1998	1999	1998
	£m	£m	£m	£m
<b>Finance lease creditors: amounts repayable in more than one year</b>				
Repayable within one to two years	–	0.1	–	0.1

### 15. Provisions for liabilities and charges

	Deferred taxation provisions	Pensions	Other	Total
	£m	£m	£m	£m
<b>Group</b>				
At 31 March 1998	2.2	0.2	–	2.4
Acquired	–	–	4.3	4.3
ACT movement	0.8	–	–	0.8
Charge/(release) to profit and loss account	0.5	0.5	(0.4)	0.6
At 31 March 1999	3.5	0.7	3.9	8.1
<b>Company</b>				
At 31 March 1998	2.2	–	–	2.2
Acquired	–	–	4.3	4.3
ACT movement	0.8	–	–	0.8
Charge/(release) to profit and loss account	0.3	0.4	(0.4)	0.3
At 31 March 1999	3.3	0.4	3.9	7.6

Other provisions relate to contractually committed losses.

### 16. Deferred taxation

	1999		1998	
	Provided	Unprovided	Provided	Unprovided
	£m	£m	£m	£m
<b>Group</b>				
Accelerated capital allowances	3.5	1.3	3.0	1.2
Advance corporation tax	–	–	(0.8)	–
	3.5	1.3	2.2	1.2
<b>Company</b>				
Accelerated capital allowances	3.3	1.3	3.0	1.2
Advance corporation tax	–	–	(0.8)	–
	3.3	1.3	2.2	1.2

No provision is made for taxation which would arise in the event of the distribution of the retained profits of overseas subsidiaries unless such a distribution is proposed.



## 17. Equity share capital of the company

	1999	1998
<b>Authorised</b>	<b>£m</b>	<b>£m</b>
At 31 March: 54 million ordinary shares of 10p each (1998: 54 million)	5.4	5.4
<b>Allotted, called up and fully paid</b>	<b>£m</b>	
At 31 March 1998: 48,209,291 ordinary shares of 10p each	4.8	
45,260 ordinary shares issued on exercise of share options for £4,526	--	
At 31 March 1999: 48,254,551 ordinary shares of 10p each	4.8	

Details of share options are given in the report on directors' remuneration on pages 22 to 23 and in note 25.

Note: The company's adjusted share price for capital gains tax purposes on 31 March 1982 was 35.97p before indexation.

## 18. Reserves

	Share premium account	Merger reserve	Profit and loss account	Total
<b>Group</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 31 March 1998	0.9	-	39.6	40.5
Retained profit for the year	-	-	3.6	3.6
Premium on share issues (nominal value £4,526)	0.1	-	-	0.1
Currency translation differences on foreign currency	-	-	0.8	0.8
At 31 March 1999	1.0	-	44.0	45.0

The cumulative amount of goodwill written off resulting from acquisitions made up until 31 March 1999 was £13.1m of which the amount relating to subsidiary undertakings was £10.4m. Goodwill on acquisitions made after 31 March 1998 is carried in the balance sheet and dealt with as set out in the goodwill accounting policy note.

	Share premium account	Merger reserve	Profit and loss account	Total
<b>Company</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 31 March 1998	0.9	1.7	37.5	40.1
Retained profit for the year	-	-	4.4	4.4
Premium on issue of shares	0.1	-	-	0.1
At 31 March 1999	1.0	1.7	41.9	44.6

The cumulative amount of goodwill written off resulting from acquisitions made up until 31 March 1999 was £8.9m. The company's profit for the year before dividends was £8.6m (1998: £9.8m). Goodwill on acquisitions made after 31 March 1998 is carried in the balance sheet and dealt with as set out in the goodwill accounting policy note.

## Notes to the financial statements continued

### 19. Commitments

	GROUP		COMPANY	
	1999	1998	1999	1998
	£m	£m	£m	£m
<b>Capital expenditure</b>				
Committed	4.8	3.1	3.1	2.7
<b>Operating leases</b>				
Annual commitments under non-cancellable operating leases are as follows:				
Plant and machinery which expire between two and five years	0.1	0.1	0.1	0.1
Land and buildings which expire:				
Within one year	0.4	0.1	0.4	0.1
Between two and five years	0.2	0.3	0.2	0.3
	0.6	0.4	0.6	0.4

### 20. Derivatives and other financial instruments

An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing risks of the group in its activities is given below:

The group's capital structure as at 31 March was as follows:	1999	1998
	£m	£m
Net debt	25.4	20.1
Equity shareholders' funds	49.8	45.3
Gearing	51.0%	44.4%

The main changes in the group's capital structure during the year have arisen following the acquisitions made by the group. The acquisition of Plastica Balear S.A. was financed by peseta borrowings at floating rates of interest. The plant and machinery purchased from The Body Shop International and the net assets acquired from BXL were financed by sterling borrowings at floating rates of interest.

#### Derivatives and other financial instruments

The group's principal financial instruments comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments, including trade debtors and trade creditors, that arise directly from its operations.

The group also enters into derivative transactions, principally forward currency contracts. The purpose of these transactions is to manage the currency risks associated with the purchase of certain plant and machinery.

The main risks arising from the group's operations are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees the policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the year.

## 20. Derivatives and other financial instruments continued

### Interest rate risk

The group borrows in appropriate currencies at floating rates of interest to manage the group's exposure to interest rate fluctuations. The investments in Spain have been fully hedged by peseta borrowings and operations on the continent have been partly funded by borrowing in euro zone currencies. The group's policy over the past year has been to borrow for short periods to take advantage of interest rate reductions in sterling and euro zone currencies. Currently, the group's policy does not include the use of interest rate swap or option agreements. The interest rate profile of the financial liabilities of the group as at 31 March was as follows:

	Total	Fixed rate financial liabilities	Floating rate financial liabilities
<b>1999</b>	£m	£m	£m
<b>Sterling</b>	<b>23.3</b>	<b>0.3</b>	<b>23.0</b>
<b>Pesetas</b>	<b>4.9</b>	<b>0.1</b>	<b>4.8</b>
	<b>28.2</b>	<b>0.4</b>	<b>27.8</b>
 <b>1998</b>	 £m	 £m	 £m
<b>Sterling</b>	<b>19.2</b>	<b>0.6</b>	<b>18.6</b>
<b>Pesetas</b>	<b>5.4</b>	<b>0.2</b>	<b>5.2</b>
	<b>24.6</b>	<b>0.8</b>	<b>23.8</b>

At the year end 98% of borrowings were at floating rates of interest comprising:

- Sterling denominated bank loans and overdrafts that bear interest based on LIBOR
- Peseta borrowings that bear interest based on Spanish LIBOR.

### Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and bank loans. The group's finance leases were acquired wholly through acquisitions. Short-term flexibility is achieved by the use of overdraft facilities and multi-currency facilities which are renewed annually.

### Foreign currency risk

The group has translation exposures arising from manufacturing and selling operations on the continent. The group's balance sheet can be affected by movements in these euro markets but this exposure is mitigated by borrowing in local currencies, managed by the parent company.

The group also has transactional currency exposures which are increasing as major European customers move from sterling to euro invoicing. The group seeks to manage these exposures by negotiating contract terms which compensate the company or customers for adverse movements in the euro/sterling exchange rate. The group also undertakes hedging of capital purchases to protect against fluctuations in exchange rates where the time from placing an order for plant to commissioning is significant. There are no material monetary assets and liabilities other than those denominated in the functional currency of the operations involved.

The policy for managing remittances between UK and overseas operations is to ensure group netting occurs on a regular timely basis.

## Notes to the financial statements continued

### 21. Acquisitions

#### BXL

On 5 January 1999 the group and company acquired the £10.6m warranted net assets and business of BP Chemicals' bottles and closures business (part of BXL Plastics Ltd) for consideration of £1. Negative goodwill arising has been set up as an intangible asset in the group and company accounts. The operation was acquired by Plysu plc and so the results since acquisition are included in the company result. The negotiations in respect of finalising the consideration are still in progress.

	On acquisition	Accounting policy alignments	Fair value adjustments Revaluations*	Other significant adjustments	Fair value net assets
	£m	£m	£m	£m	£m
<b>Net assets acquired</b>					
Tangible fixed assets	6.9	(0.1)	(3.7)	-	3.1
Stocks	1.5	(0.4)	0.1	-	1.2
Debtors	5.0	(0.5)	(0.1)	-	4.4
Creditors	(2.7)	(0.8)	(0.2)	(3.9)	(7.6)
<b>Net assets</b>	<b>10.7</b>	<b>(1.8)</b>	<b>(3.9)</b>	<b>(3.9)</b>	<b>1.1</b>
Negative goodwill					(4.2)
Purchase consideration					(3.1)

The purchase consideration was financed as follows:

Receivable as a result of acquisition	(3.5)
Costs associated with acquisition (accrued: £0.3m)	0.4
	(3.1)

\* Included within revaluations are impairment provisions upon fixed assets.

<b>Analysis of the net outflow of cash in respect of the acquisition</b>	<b>1999</b>
	<b>£m</b>
Cash consideration including acquisition costs	0.1

The results of the above acquisition for the 12 months prior to acquisition were not readily ascertainable but were estimated at an operating loss of £2m upon turnover of £20m.

#### Plastica Balear and Body Shop International

The group and company acquired the fixed assets and business of bottle manufacturing of The Body Shop International plc on 1 April 1998 for consideration of £1.6m. Goodwill of £0.5m arising has been set up as an intangible asset in the group and company accounts. The operation was acquired by Plysu plc and so the results since acquisition are included in the company result.

Plastica Balear S.A. was acquired by the group on 4 February 1999 for a consideration of £2.5m. Goodwill of £1.5m arising has been set up as an intangible asset in the group accounts.

## 21. Acquisitions continued

Plastica Balear and Body Shop International	On acquisition	Fair value adjustments Accounting policy alignments	Revaluations	Fair value net assets
	£m	£m	£m	£m
<b>Net assets acquired</b>				
Tangible fixed assets	2.1	(0.4)	–	1.7
Stocks	0.1	–	–	0.1
Debtors	–	–	0.5	0.5
Cash, bank loans and overdrafts	0.1	–	–	0.1
Creditors	(0.3)	–	–	(0.3)
<b>Net assets</b>	<b>2.0</b>	<b>(0.4)</b>	<b>0.5</b>	<b>2.1</b>
Goodwill				2.0
Purchase consideration				4.1

The purchase consideration was financed as follows:

Cash	2.0
Deferred consideration	1.9
Costs associated with acquisition (accrued: £nil)	0.2
	4.1

### Analysis of the net outflow of cash in respect of acquisitions

	1999 £m
Cash consideration including acquisition costs	2.2
Cash, bank overdrafts and loans acquired	(0.1)
<b>Net outflow of cash</b>	<b>2.1</b>

In respect of the acquisitions described above, adjustments have been made to restate the cost and accumulated depreciation of fixed assets, and the carrying values of stock, debtors and creditors, to bases consistent with the group's accounting policies. Provision has been made within other significant adjustments for contractually committed losses. The trading results of these acquisitions have been disclosed separately on the face of the profit and loss account. The acquisitions have been accounted for by the acquisition method of accounting. The fair value adjustments recorded for these acquisitions have been stated on a provisional basis.

### Acquisitions in prior year

The directors have considered the fair value adjustments made in respect of the acquisitions of Iplast S.A., Simon Renfrew Containers Ltd, and Lucy Housewares made in the prior year which were stated on a provisional basis and they do not propose to make any changes to those valuations.

## Notes to the financial statements continued

### 21. Acquisitions continued

Analysis of the net outflow of cash in respect of acquisitions	1999	1998
	£m	£m
Cash consideration including acquisition costs in respect of current year acquisitions	2.3	3.8
Cash acquired	(0.1)	(0.3)
Net outflow of cash in respect of current year acquisitions	2.2	3.5
Payments in respect of acquisitions in previous years	3.4	1.3
Net cash outflow in year in respect of acquisitions	5.6	4.8

### 22. Reconciliation of operating profit to operating cash flows

	1999	1998
	£m	£m
Operating profit	13.8	12.2
Net goodwill release	(1.2)	-
Depreciation charges	11.2	10.1
Loss/(profit) on sale of tangible fixed assets	0.1	(0.1)
(Increase)/decrease in stocks	(1.6)	0.5
Decrease/(increase) in debtors	1.2	(3.5)
Increase in creditors and provisions	4.4	3.1
Net cash inflow from operating activities	27.7	22.3

### 23. Analysis of net debt

	At 31 March 1998	Cash flow	Exchange movement	At 31 March 1999
	£m	£m	£m	£m
Cash in hand and at bank	4.5	(1.6)	-	2.9
Overdrafts	(4.9)	0.8	-	(4.1)
Debt due after one year	(14.3)	(9.7)	-	(24.0)
Debt due within one year	(5.0)	5.3	(0.3)	-
Finance leases	(0.4)	0.2	-	(0.2)
Total	(20.1)	(5.0)	(0.3)	(25.4)

### 24. Pension costs

The total cost to the group of its pensions arrangements was £1.7m (1998: £1.2m). These costs arose as follows:

#### UK defined benefit schemes

Costs have been assessed in accordance with SSAP24. The contributions and pension cost are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit credit method of valuation. The most recent valuations were at 1 April 1997. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed for the purpose of the pension cost calculations that investment returns would exceed the rate of increase in salaries by 2.5% per annum for members of the Plysu plc Pension Plan and by 2.0% per annum for members of the Plysu plc Staff Pension Plan and that investment returns would exceed the rate of increase in pensions by 4.5% per annum.

Dividends were assumed to increase by 0.5% per annum more than the rate of pension escalation.

The most recent actuarial valuations for SSAP24 purposes showed that the aggregate market value of the schemes' assets was £34.2m and that the actuarial value of those assets (£32.5m) represented 133% of the benefits that had accrued to members after allowing for expected future increases in earnings.

## 24. Pension costs *continued*

The pension cost for the year for the two plans amounted to £1.2m (1998: £0.7m). Contributions of £0.8m (1998: £0.6m) were made by the group for these two plans. Amounts included in respect of pensions are £nil (1998: £0.1m) in other creditors and £0.4m (1998: nil) in provisions for liabilities and charges.

### UK defined contribution schemes

The group continues to operate the money purchase pension schemes with UK insurance companies acquired with AMK Plastics Limited and Thermakeep Plastics Limited, which are closed to new members. Their pension costs were £0.1m (1998: £0.1m).

### Overseas defined benefit schemes

There are five overseas schemes in force, providing benefits based upon final pensionable pay, with contributions being charged to the profit and loss account in order to spread the cost of pension over the employees' average working lives with the group.

Costs have been assessed by qualified actuaries in accordance with SSAP24. Assumptions have been made about the future experience of the investment return, wage and price inflation, and on the expected mortality within the group schemes. The main assumptions adopted in arriving at the cost are investment returns of 7% per annum and general wage inflation of 2.5% per annum adjusted for career progression increases averaging a further 2.5% per annum.

The guaranteed benefits are funded through insurance contracts. Any future surpluses which arise from these benefits will be used to reduce the group's contributions. The pension cost for these schemes was £0.4m (1998: £0.4m).

### Group

Amounts included in the balance sheet in respect of pensions are £nil (1998: £0.1m) in other creditors and £0.7m (1998: £0.2m) in provisions for liabilities and charges.

## 25. Options granted over shares in Plysu plc

The group operates Executive Share Option Schemes and an SAYE related Share Option Scheme. The Executive Schemes allow for the grant of both approved and unapproved options to employees who are considered by the board to be making a key contribution to the success of the business. Sixty employees currently hold Executive Options. The SAYE Scheme is an all-employee scheme (but applicable to the UK only) which permits contracts to be entered into over three, five or seven years. Currently 313 employees hold options under this scheme.

At 31 March 1999 options granted over the company's ordinary shares of 10p under employee share option schemes were outstanding as follows:

Date of grant	Number of shares	Exercise price	Exercise dates from	Exercise dates to
<b>Executive Share Option Scheme</b>				
22/12/92	345,620	240.0p	22/12/95	22/12/02
10/01/94	75,000	217.4p	10/01/97	10/01/04
19/06/95	30,000	197.6p	19/06/98	19/06/05
08/07/96	270,200	165.0p	08/07/99	08/07/06
13/12/96	85,000	158.5p	13/12/99	13/12/06
20/07/98	281,500	179.0p	20/07/01	20/07/08
<b>SAYE Share Option Scheme</b>				
08/10/93	72,510	189.0p	15/10/98	15/04/01
25/08/94	145,396	152.0p	14/10/99	14/04/02
07/07/95	58,806	158.0p	18/09/00	18/03/03
09/07/96	132,097	140.0p	13/09/99	13/03/04
14/07/97	291,254	126.0p	15/09/00	15/03/05
06/07/98	259,720	150.0p	07/09/01	07/03/06

Options over 450,000 shares at prices between 145.5p and 182.0p have been granted to the trustees of the Plysu Share Purchase Scheme in connection with matching awards made under the terms of the scheme.

## Five-year record

	Years ended 31 March				
	1995 £m	1996 £m	1997 £m	1998 £m	1999 £m
<b>Group turnover by product type</b>					
Liquid Foods	36.5	56.2	56.9	63.9	64.2
Containers and Personal Care	55.2	65.2	67.3	66.5	70.7
Brands	6.4	6.4	8.2	11.5	12.8
Protection Systems and other	1.4	1.5	1.7	1.8	2.3
<b>Total</b>	<b>99.5</b>	<b>129.3</b>	<b>134.1</b>	<b>143.7</b>	<b>150.0</b>
 Depreciation	 9.6	 10.7	 10.4	 10.1	 11.2
 Interest payable (net)	 0.9	 1.3	 1.6	 2.0	 2.5
 Group profit before tax and exceptional items	 6.5	 8.0	 9.3	 10.7	 11.3
 Group profit before tax	 6.5	 6.9	 9.3	 10.2	 11.3
 Expenditure on fixed assets and moulds	 8.4	 13.2	 10.3	 14.6	 18.0
 Equity shareholders' funds	 53.0	 52.6	 50.2	 45.3	 49.8
 Basic earnings per share	 9.0p	 9.6p	 12.5p	 14.5p	 16.2p
 Dividends per share	 7.0p	 7.35p	 7.75p	 8.4p	 8.6p

## Financial calendar

Ex-dividend date for final dividend	21 June 1999
Record date for final dividend	25 June 1999
Annual general meeting	13 July 1999
Final dividend paid	23 July 1999
Announcement of half-year results	Mid December 1999
Interim dividend paid	Early February 2000
Announcement of full-year results	Mid June 2000



## Notice of meeting

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Notice is hereby given that the 52nd annual general meeting of Plysu plc will be held at the offices of Robert Fleming & Co, 25 Copthall Avenue, London EC2R 7DR at 12 noon on 13 July 1999 for the following purposes:

### Ordinary business

1. To consider the company's financial statements and the reports of the directors and auditors for the year ended 31 March 1999.
2. To declare a dividend.
3. To elect Mr A.A.A.M. Sips as a director.
4. To re-elect as a director Mr M.V.S. Macintyre who retires by rotation in accordance with the proposed revised articles of association.

5. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

That KPMG Audit Plc be and is hereby re-appointed auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company at a remuneration to be fixed by the directors.

### Special business

6. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

That, in substitution for all existing authorities, the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ('the Act') to exercise all or any of the powers of the company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £574,545, representing not more than 11.9% of the issued ordinary share capital of the company at 14 June 1999, for a period expiring (unless previously renewed, varied or revoked by the company in the annual general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the company following the passing of this resolution, whichever first occurs but the company may make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement. The directors have no present intention of exercising the above authority.

7. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

That, in substitution for all existing authorities and subject to the passing of the resolution under item 3, the directors be and are hereby generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) of the company pursuant to the authority conferred by the resolution under item 3 as if section 89(1) of the Act did not apply to such allotment provided that this power:

- a. shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the company following the passing of this resolution, whichever first occurs, save that the company may make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement; and
- b. shall be limited to:
  - i. allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with such offering as they deem necessary or expedient:
    - to deal with equity securities representing fractional entitlements; and
    - to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
  - ii. other allotments of equity securities for cash up to an aggregate nominal amount of £241,272, representing not more than 5% of the issued ordinary share capital of the company at 14 June 1999.

## Notice of meeting continued

8. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

That the articles of association of the company be amended in the following manner:

- i. Article 73 of the company's articles of association be amended by the inclusion of an additional sentence after the words "shall retire from office" on the last line of the article, in the following form: "If any one or more directors were last appointed or reappointed three years or more prior to the meeting or were last appointed or reappointed at the third immediately preceding annual general meeting, he or they shall retire but shall be counted in obtaining the number required to retire by rotation at the meeting.";
- ii. Article 74 of the company's articles of association be amended by the deletion of the words "shall exclude any director for the time being holding executive office pursuant to Article 70 and" from the second, third and fourth lines of the Article;
- iii. Article 11(C) of the company's articles of association be amended by the deletion of the words "(with or without security)" in the third line and the words "and security" in the sixth line of the sub-Article and the addition of the words "only" before the word "of" and the words "out-of-pocket" between the words "exceptional" and "expenses" in the fourth line of the sub-Article;
- iv. Article 29 of the company's articles of association be amended by deleting the whole of the first paragraph of sub-Article 29(A) together with its sub-paragraphs (i) and (ii) and inserting in their place a new sub-Article 29(A) and a new Article 29(B) which read as follows:

- A. "Subject to the provisions of article 66 and the requirements of the London Stock Exchange, the board may, in its absolute discretion and without giving a reason refuse to register the transfer of a share which is not fully paid or the transfer of a share on which the company has a lien. If that share has been admitted to the Official List of the London Stock Exchange, the board may not refuse to register the transfer if this would prevent dealings in the share from taking place on an open and proper basis.

- B. Subject to the provisions of Article 66 and the requirements of the London Stock Exchange, the board may also, in its absolute discretion and without giving a reason, refuse to register the transfer of a share or a renunciation of a renounceable letter of allotment unless all of the following conditions are satisfied:"

Those sub-paragraphs of the current sub-Article 29(A) numbered (iii), (iv), (v) and (vi) shall be re-numbered accordingly as sub-paragraphs (i), (ii), (iii) and (iv) of the new sub-Article 29(B) and the current sub-Article 29(B) shall become sub-Article 29(C);

- v. Article 66(B) of the company's articles of association be amended by the inclusion of the words "seven days after receipt by the company of either" after the words "shall cease to have effect" in the second line of the sub-Article, by deletion of the words "if the shares are" in the first line of sub-paragraph (i) and their replacement by the words "notice that the shares have been" and by the deletion of the words "following receipt by the company of" in the first line of sub-paragraph (ii);
- vi. Article 71(A)(ii) of the company's articles of association be amended by the deletion of the number "twenty-eight" from the first line of the sub-paragraph and the insertion in its place of the number "forty-two";
- vii. Article 102(C)(v) of the company's articles of association be deleted. Sub-paragraphs (vi) and (vii) be re-numbered (v) and (vi) accordingly.

By order of the board  
Paul Manuel  
Secretary  
14 June 1999

120 Station Road  
Woburn Sands  
Milton Keynes  
MK17 8SE

### Notes

1. Every member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in their stead.
2. A proxy need not be a member of the company. Completion of a form of proxy will not preclude a member from attending and voting in person. To be valid, the instrument appointing such a proxy must be deposited at the office of the company's registrars not less than 48 hours before the time of the meeting.
3. The register of directors' interests and copies of all directors' service agreements and bonus schemes are available for inspection at the registered office of the company during normal business hours on each business day and at the offices of Robert Fleming & Co on the day of the annual general meeting for at least 15 minutes prior to and during the meeting.

# Group directory

## Plysu plc Central services

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Fax: +44 (0)1443 228970

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## Containers division

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