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EP PACKAGING LIMITED

FINANCIAL STATEMENTS

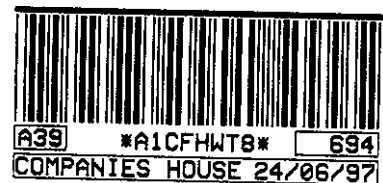
31 DECEMBER 1996

Registered number: 516832

BISHOP FLEMING

CHARTERED ACCOUNTANTS

Devon



EP PACKAGING LIMITED
FINANCIAL STATEMENTS
for the year ended 31 December 1996

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
Schedule to the detailed trading and profit and loss account	Appendix 2

EP PACKAGING LIMITED**COMPANY INFORMATION****31 December 1996**

INCORPORATED	in England on 24 July 1990
REGISTERED NUMBER	516832
CHAIRMAN	R Thompson
OTHER DIRECTORS	A W Haiselden N Pretzlik R Thompson K Baldwin C Gawne
SECRETARY	A Haiselden
REGISTERED OFFICE	194 High Street Tonbridge Kent TN9 1BE
BANKERS	National Westminster Bank Plc Lombard Business Centre 3rd Floor 21 Lombard Street London EC3P 3AR
SOLICITORS	Wright Son & Pepper 9 Grays Inn Square London WC1R 5JF Eversheds 10 Newhall Street Birmingham B3 3LX
AUDITORS	Bishop Fleming Chartered Accountants and Registered Auditors 50 The Terrace Torquay Devon TQ1 1DD

EP PACKAGING LIMITED**DIRECTORS' REPORT****31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activity

The principal activity of the company was that of a manufacturer of plastic packaging for the food, cosmetic and toy industries.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £635,000.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend, the profit for the year is to be transferred to reserves.

Fixed assets

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details of changes in fixed assets are set out in note 7.

Directors

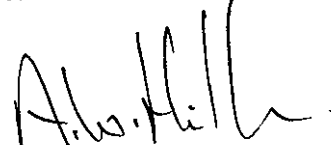
The directors who served during the year were as follows:-

A W Haiselden
N Pretzlik
R Thompson
K Baldwin
C Harrage (resigned 06/09/96)
C Gawne

Auditors

Bishop Fleming have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



A Haiselden
Secretary

194 High Street
Tonbridge
Kent TN9 1BE

Date: 23 April 1997

EP PACKAGING LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

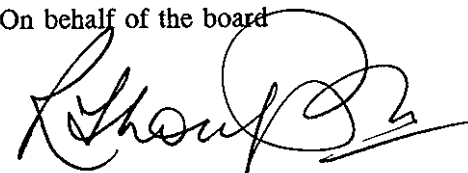
We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

On behalf of the board



R A Thompson
Director

Date: 23 April 1997

EP PACKAGING LIMITED**AUDITORS' REPORT****Auditors' report to the members of****EP Packaging Limited**

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

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

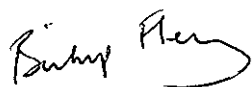
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BISHOP FLEMING
Chartered Accountants and
Registered Auditors
50 The Terrace
Torquay
Devon TQ1 1DD

Date: 23 June 1997

EP PACKAGING LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover	2	5,793,230	5,595,287
Cost of sales		<u>(4,862,147)</u>	<u>(4,836,643)</u>
Gross profit		931,083	758,644
Net operating expenses			
Distribution costs		(450,751)	(421,097)
Administrative expenses		(291,589)	(261,735)
Other operating charges		—	(50,000)
Other operating income		<u>162,100</u>	<u>115,640</u>
Operating profit	3	350,843	141,452
Interest payable	5	<u>(77,904)</u>	<u>(106,414)</u>
Profit on ordinary activities before taxation		272,939	35,038
Taxation	6	<u>(19,024)</u>	<u>(10,091)</u>
Profit on ordinary activities after taxation and retained for the year	15	<u><u>253,915</u></u>	<u><u>24,947</u></u>

Movements in reserves are shown in note 15.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1996 or 1995 other than the profit for the year.

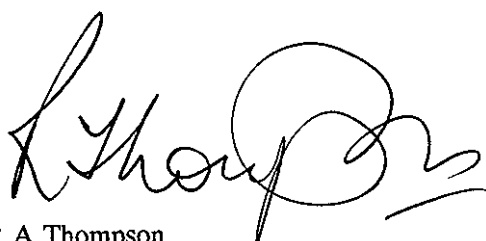
EP PACKAGING LIMITED

BALANCE SHEET

at 31 December 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	7	2,401,209	2,447,886
Current assets			
Stocks	8	399,755	501,871
Debtors	9	1,606,873	1,373,439
Cash at bank and in hand		<u>774</u>	<u>879</u>
		2,007,402	1,876,189
Creditors: amounts falling due within one year	10	<u>(2,126,918)</u>	<u>(2,119,435)</u>
Net current liabilities		<u>(119,516)</u>	<u>(243,246)</u>
Total assets less current liabilities		2,281,693	2,204,640
Creditors: amounts falling due after more than one year	11	<u>(1,646,693)</u>	<u>(1,823,555)</u>
		<u>635,000</u>	<u>381,085</u>
Capital and reserves			
Called up share capital	14	500,000	500,000
Profit and loss account	15	<u>135,000</u>	<u>(118,915)</u>
Total shareholders' funds	13	<u>635,000</u>	<u>381,085</u>

The financial statements on pages 5 to 17 were approved by the board of directors on 23 April 1997 and signed on its behalf by:



R A Thompson
Director

EP PACKAGING LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 1996

	1996		1995	
	£	£	£	£
Net cash inflow from operating activities		644,299		460,542
Returns on investments and servicing of finance				
Interest paid	(49,947)		(77,746)	
Hire purchase interest	<u>(27,957)</u>		<u>(28,668)</u>	
Net cash outflow from returns on investments and servicing of finance		(77,904)		(106,414)
Taxation				
Corporation tax paid (including ACT)	<u>(10,091)</u>		<u>(18,866)</u>	
Tax paid		(10,091)		(18,866)
Investing activities				
Payments to acquire:				
Tangible fixed assets	(181,273)		(406,552)	
Receipts from sales of:				
Tangible fixed assets	<u>535</u>		<u>49,970</u>	
Net cash outflow from investing activities		<u>(180,738)</u>		<u>(356,582)</u>
Net cash inflow/(outflow) before financing		375,566		(21,320)
Financing				
Bank loan repayments	(53,567)		(93,955)	
Leasing/HP repayments	(93,388)		(86,591)	
Leasing/HP advances	<u>-</u>		<u>176,600</u>	
Net cash outflow from financing		<u>(146,955)</u>		<u>(3,946)</u>
Increase/(decrease) in cash and cash equivalents		<u>228,611</u>		<u>(25,266)</u>

See Note 16 for the notes to this statement.

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1996

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for freehold property which is stated at valuation. Profits or losses arising on the disposal of items stated at valuation are determined by reference to the difference between the valuation and the sale proceeds.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

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

Investment property

In accordance with SSAP 19, investment properties are revalued annually with the aggregate surplus or deficit transferred to a revaluation reserve. However, in the case of a permanent diminution in value, the amount is charged to the profit and loss account. No depreciation is provided for on this property.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Tooling costs

Costs incurred in preparing prototypes are shown in prepayments to the extent that they will be recovered against future sales. They are amortised over 2 years from incurring the expenditure.

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1996

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

3 Operating profit

	1996 £	1995 £
Operating profit is stated after crediting		
Net rental income	82,727	41,493
Profit on sale of assets	<u>75</u>	<u>22,795</u>
and after charging		
Provision for permanent diminution in value of investment property	-	50,000
Staff costs (note 4)	1,189,356	1,226,958
Auditors' remuneration	5,810	6,058
Operating leases		
Hire of plant and machinery	<u>530</u>	<u>398</u>
Depreciation of tangible fixed assets (note 7)		
owned assets	170,252	168,206
leased assets	<u>57,238</u>	<u>44,408</u>
	<u>227,490</u>	<u>212,614</u>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1996

4 Directors and employees

	1996 £	1995 £
Staff costs including directors' emoluments		
Wages and salaries	<u>1,189,356</u>	<u>1,226,958</u>
	Number	Number
Average monthly number employed including executive directors		
Production staff	101	129
Administration staff	9	8
Sales staff	<u>2</u>	<u>3</u>
	<u>112</u>	<u>140</u>
Directors	£	£
Salaries	74,005	82,293
Pensions	<u>5,259</u>	<u>5,242</u>
	<u>79,264</u>	<u>87,535</u>
Emoluments excluding pension scheme contributions		
Chairman	Nil	Nil
Highest paid director	<u>41,498</u>	<u>45,163</u>
Other directors	Number	Number
£0 - £5,000	3	3
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£45,001 - £50,000	-	1

5 Interest payable

	1996 £	1995 £
Bank interest	48,985	68,532
Bank loan interest	962	9,214
Finance leases & hire purchase interest	<u>27,957</u>	<u>28,668</u>
	<u>77,904</u>	<u>106,414</u>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS
31 December 1996

6 Taxation

	1996 £	1995 £
Corporation tax on profit on ordinary activities at 24/25% (1995 25%)	<u>19,024</u>	<u>10,091</u>

7 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
1 January 1996	47,524	1,631,223	146,833	1,315,537	3,141,117
Additions	—	131,217	49,806	250	181,273
Disposals	<u>(12,994)</u>	<u>(650)</u>	<u>—</u>	<u>—</u>	<u>(13,644)</u>
31 December 1996	<u>34,530</u>	<u>1,761,790</u>	<u>196,639</u>	<u>1,315,787</u>	<u>3,308,746</u>
Depreciation					
1 January 1996	32,539	558,693	69,358	32,641	693,231
Charge for year	4,349	192,088	24,956	6,097	227,490
Disposals	<u>(12,993)</u>	<u>(191)</u>	<u>—</u>	<u>—</u>	<u>(13,184)</u>
31 December 1996	<u>23,895</u>	<u>750,590</u>	<u>94,314</u>	<u>38,738</u>	<u>907,537</u>
Net book amount					
31 December 1996	<u>10,635</u>	<u>1,011,200</u>	<u>102,325</u>	<u>1,277,049</u>	<u>2,401,209</u>
1 January 1996	<u>14,985</u>	<u>1,072,530</u>	<u>77,475</u>	<u>1,282,896</u>	<u>2,447,886</u>

	Freehold Buildings £	Freehold Investment Property £	Total £
The cost or valuation figures for property includes:			
Stated at historical cost	10,710	900,000	910,710
Revaluation	<u>454,827</u>	<u>(50,000)</u>	<u>404,827</u>
	<u>465,537</u>	<u>850,000</u>	<u>1,315,537</u>

There is a first legal mortgage over freehold property.

The freehold investment property was valued by the directors at 31 December 1996 at £850,000.

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1996

7 Tangible fixed assets – continued

Included in fixed assets are the following assets held under hire purchases and lease agreements:-

Cost or valuation	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Total £
1 January 1996	17,435	493,299	16,853	527,587
Deletions	-	-	(8,676)	(8,676)
Additions	-	-	-	-
31 December 1996	<u>17,435</u>	<u>493,299</u>	<u>8,177</u>	<u>518,911</u>
Accumulated depreciation				
1 January 1996	2,533	66,129	7,320	75,982
Deletions	-	-	(4,049)	(4,049)
Charge for period	<u>4,325</u>	<u>51,278</u>	<u>1,635</u>	<u>57,238</u>
31 December 1996	<u>6,858</u>	<u>117,407</u>	<u>4,906</u>	<u>129,171</u>
Net book amount				
31 December 1996	<u>10,577</u>	<u>375,892</u>	<u>3,271</u>	<u>389,740</u>
1 January 1996	<u>14,902</u>	<u>427,170</u>	<u>9,533</u>	<u>451,605</u>

8 Stocks

	1996 £	1995 £
Work in progress	9,902	-
Raw materials and consumables	309,558	204,897
Finished goods and goods for resale	<u>80,295</u>	<u>296,974</u>
	<u>399,755</u>	<u>501,871</u>

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1996

9 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	1,484,171	1,216,068
Other debtors	28,012	29,255
Prepayments and accrued income	94,690	128,116
	<u>1,606,873</u>	<u>1,373,439</u>

Prepayments include £82,450 (1995 £114,751) tooling costs incurred which the directors believe will be recovered in full against future sales.

Included in other debtors is a loan of £20,026 to one of the directors K Baldwin. The loan was made during 1993 and interest is payable at 2% over the National Westminster Bank Plc base rate calculated on a daily basis. The maximum outstanding during the year was £20,120.

10 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank loans	–	53,567
Bank overdraft	440,497	669,213
Trade creditors	452,542	497,339
Amounts owed to group undertakings	963,358	660,693
Corporation tax	19,024	10,091
Other taxation and social security	109,836	95,743
Other creditors	13,130	12,008
Accruals and deferred income	30,618	27,791
Obligations under finance leases and hire purchase contracts – note 11	97,913	92,990
	<u>2,126,918</u>	<u>2,119,435</u>

The bank loan and overdraft are secured by a fixed and floating charge over the assets of the company. The bank loan bears interest at a rate of 2% above base rate.

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1996

**11 Creditors: amounts falling due
after more than one year**

	1996 £	1995 £
Other loans	1,482,123	1,560,674
Obligations under finance leases	<u>164,570</u>	<u>262,881</u>
	<u>1,646,693</u>	<u>1,823,555</u>

Maturity of debt

In one year or less, or on demand

– see note 10

In five years or more

–	–
<u>1,482,123</u>	<u>1,560,674</u>

**Obligations under finance leases
and hire purchase contracts**

These are repayable over varying periods
by monthly instalments as follows:

In the next year – see note 10

<u>97,913</u>	<u>92,990</u>
---------------	---------------

12 Deferred taxation

	1996		1995	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by capital allowances in advance of depreciation	<u>92,099</u>	<u>–</u>	<u>46,522</u>	<u>–</u>

The potential liability and provision are based on a corporation tax rate of 24/25% (1995 25%).

13 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year representing a Net addition to shareholders' funds	253,915	24,947
Opening shareholders' funds	<u>381,085</u>	<u>356,138</u>
Closing shareholders' funds	<u>635,000</u>	<u>381,085</u>

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1996

14 Called up share capital

	1996		1995	
	Number of shares	£	Number of shares	£
Authorised Equity shares				
Ordinary shares of 25p each	<u>2,000,000</u>	<u>500,000</u>	<u>2,000,000</u>	<u>500,000</u>
Allotted called up and fully paid Equity shares				
Ordinary shares of 25p each	<u>2,000,000</u>	<u>500,000</u>	<u>2,000,000</u>	<u>500,000</u>

15 Profit and loss account

	1996 £
1 January 1996	(118,915)
Retained profit for the year	<u>253,915</u>
31 December 1996	<u>135,000</u>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS
31 December 1996

16 Notes to the cash flow statement

**Reconciliation of operating profit to
net cash inflow from operating activities**

	1996 £	1995 £
Operating profit	350,843	141,452
Depreciation charges	227,490	212,614
(Profit) on sale of fixed assets	(75)	(22,795)
Decrease in stocks	102,116	6,911
(Increase)/decrease in debtors	(233,434)	28,704
Increase in creditors	197,359	43,656
Provision for the diminution in value of investment property	—	50,000
Net cash inflow from operating activities	<u>644,299</u>	<u>460,542</u>

**Analysis of changes in cash and cash
equivalents as shown in the balance sheet**

Balance at 1 January 1996	(668,334)	(643,068)
Net cash inflow/(outflow)	<u>228,611</u>	<u>(25,266)</u>
Balance at 31 December 1996	<u>(439,723)</u>	<u>(668,334)</u>

**Analysis of the balances of cash and cash
equivalents as shown in the balance sheet**

	1996 £	1995 £	Change in year £
Cash at bank and in hand	774	879	(105)
Bank overdrafts	<u>(440,497)</u>	<u>(669,213)</u>	<u>228,716</u>
	<u>(439,723)</u>	<u>(668,334)</u>	<u>228,611</u>

Analysis of changes in financing during the year

	Bank Loan £	Finance Leasing £
Balance at 1 January 1996	53,567	355,871
Cash outflow from financing	<u>(53,567)</u>	<u>(93,388)</u>
Balance at 31 December 1996	<u>—</u>	<u>262,483</u>

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1996

17 Capital commitments

	1996 £	1995 £
Contracted for but not provided in financial statements	<u>8,789</u>	<u>-</u>
Authorised but not contracted for	<u>-</u>	<u>4,771</u>

18 Contingent liabilities

The company had given an unlimited composite cross guarantee to the group's bankers in respect of bank borrowings of other group companies, secured by the fixed and floating charge referred to in note 10. At 31 December 1996 the indebtedness of these companies in respect of the cross guarantee was approximately £Nil (1995 £Nil).

19 Ultimate parent undertaking

The company is a subsidiary of Arthur Woollacott Limited. The company's ultimate parent undertaking at the balance sheet date was Arthur Woollacott Holdings Limited, a company registered in England and Wales. Copies of the financial statements of Arthur Woollacott Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.