

EP PACKAGING LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1997

Registered number: 516832

BISHOP FLEMING

CHARTERED ACCOUNTANTS

Devon



EP PACKAGING LIMITED
FINANCIAL STATEMENTS
for the year ended 31 December 1997

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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 1997**

INCORPORATED	in England on 24 July 1990
NUMBER	516832
CHAIRMAN	R A Thompson
OTHER DIRECTORS	A W Haiselden N Pretzlik K Baldwin C Gawne R Steele (appointed 1 October 1997)
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 1997**

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

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 £865,390.

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 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 Gawne
R Steele (appointed 1 October 1997)

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: 5th June 1998

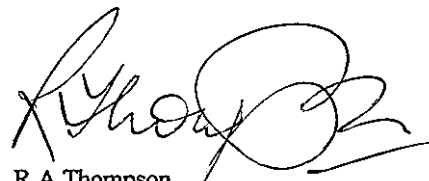
EP PACKAGING LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

On behalf of the board

A handwritten signature in black ink, appearing to read 'R A Thompson', with a large, stylized flourish at the end.

R A Thompson
Director

Date: 5th June 1998

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

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

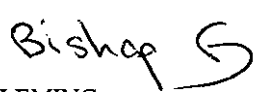
Basis of opinion

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 1997 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: 16 June 1998

EP PACKAGING LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	2	6,374,442	5,793,230
Cost of sales		(5,234,858)	(4,862,147)
Gross profit		1,139,584	931,083
Net operating expenses			
Distribution costs		(612,865)	(450,751)
Administrative expenses		(394,914)	(291,589)
Other operating income		157,122	162,100
Operating profit	3	288,927	350,843
Interest payable	5	(36,031)	(77,904)
Profit on ordinary activities before taxation		252,896	272,939
Taxation	6	(22,506)	(19,024)
Profit on ordinary activities after taxation		230,390	253,915
retained for the year	16		

Movements in reserves are shown in note 16.

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

There are no recognised gains and losses in 1997 or 1996 other than the profit for the year.


EP PACKAGING LIMITED

BALANCE SHEET

at 31 December 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	7		1,619,087		2,401,209
Investments	8		250		-
			<u>1,619,337</u>		<u>2,401,209</u>
Current assets					
Stocks	9	457,170		399,755	
Debtors	10	1,625,442		1,606,873	
Cash at bank and in hand		16,958		774	
			<u>2,099,570</u>	<u>2,007,402</u>	
Creditors: amounts falling due within one year	11	(2,225,573)		(2,126,918)	
Net current liabilities			<u>(126,003)</u>	<u>(119,516)</u>	
Total assets less current liabilities			<u>1,493,334</u>	<u>2,281,693</u>	
Creditors: amounts falling due after more than one year	12		(627,944)	(1,646,693)	
			<u>865,390</u>	<u>635,000</u>	
Capital and reserves					
Called up share capital	15		500,000		500,000
Profit and loss account	16		365,390		135,000
Total shareholders' funds	14		<u>865,390</u>	<u>635,000</u>	

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


R A Thompson
Director

EP PACKAGING LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 1997

Reconciliation of operating profit
to operating cash flows

	1997 £	1996 £
Operating profit	288,927	350,843
Depreciation charges	261,529	227,490
Profit on sale of fixed assets	(10,850)	(75)
(Increase)/decrease in stocks	(57,415)	102,116
Increase in debtors	(14,569)	(233,434)
(Decrease)/increase in creditors	(399,189)	197,359
Net cash inflow from operating activities	68,433	644,299

CASH FLOW STATEMENT

	1997 £	1996 £
Net cash inflow from operating activities	68,433	644,299
Returns on investments and servicing of finance (note 19)	(36,031)	(77,904)
Taxation	(19,774)	(10,091)
Capital expenditure (note 19)	531,193	(180,738)
	543,821	375,566
Financing (note 19)	(87,140)	(146,955)
Increase in cash	456,681	228,611

Reconciliation in net cash flow to movement in net debt (note 20)

	1997 £	1996 £
Increase in cash in the year	456,681	228,611
Cash outflow/(inflow) from decrease in debt and lease financing	1,839,288	(130,725)
Change in net debt resulting from cash flows	2,295,969	97,886
Net debt at 1 January 1997	(3,147,687)	(3,245,573)
Net debt at 31 December 1997	(851,718)	(3,147,687)

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1997

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

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 two years from incurring expenditure.

2 Turnover

The turnover for the year was derived from the company's principal activity. £118,457 of the turnover of the company is attributable to geographical markets outside the UK.

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1997

3	Operating profit	1997	1996
		£	£
	Operating profit is stated after crediting		
	Net rental income	85,929	82,727
	Profit on sale of assets	10,850	75
		<u> </u>	<u> </u>
	and after charging		
	Staff costs (note 4)	1,401,347	1,189,356
	Auditors' remuneration	6,088	5,810
	Operating leases		
	Hire of plant and machinery	-	530
		<u> </u>	<u> </u>
	Depreciation of tangible fixed assets (note 6)		
	owned assets	203,927	170,252
	leased assets	57,602	57,238
		<u> </u>	<u> </u>
		261,529	227,490
		<u> </u>	<u> </u>
4	Directors and employees	1997	1996
		£	£
	Staff costs including directors' emoluments		
	Wages and salaries	1,401,347	1,189,356
		<u> </u>	<u> </u>
	Average monthly number employed	Number	
	Number		
	including executive directors:		
	Production staff	106	101
	Administration staff	9	9
	Sales staff	4	2
		<u> </u>	<u> </u>
		119	112
		<u> </u>	<u> </u>
	Directors	£	£
	Emoluments	122,700	74,005
	Company contributions to money purchase pension schemes	13,727	5,259
		<u> </u>	<u> </u>
		136,427	79,264
		<u> </u>	<u> </u>
5	Interest payable	1997	1996
		£	£
	Bank interest	16,574	48,985
	Bank loan interest	-	962
	Finance lease & hire purchase interest	19,457	27,957
		<u> </u>	<u> </u>
		36,031	77,904
		<u> </u>	<u> </u>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1997

6 Taxation

	1997 £	1996 £
Corporation tax on profit on ordinary activities at 31% (1996:24/25%)	22,506	19,024

7 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
1 January 1997	34,530	1,761,790	196,639	1,315,787	3,308,746
Additions	46,305	252,889	29,735	23,451	352,380
Disposals	(17,530)	(61,073)	(19,144)	(850,000)	(947,747)
31 December 1997	63,305	1,953,606	207,230	489,238	2,713,379
Depreciation					
1 January 1997	23,895	750,590	94,314	38,738	907,537
Charge for year	6,156	217,915	30,715	6,743	261,529
Disposals	(10,548)	(45,111)	(19,115)	-	(74,774)
31 December 1997	19,503	923,394	105,914	45,481	1,094,292
Net book amount					
31 December 1997	43,802	1,030,212	101,316	443,757	1,619,087
1 January 1997	10,635	1,011,200	102,325	1,277,049	2,401,209
					Freehold Buildings £
The cost or valuation for property includes:					
Stated at historical cost					34,411
Revaluation					454,827
					489,238

There is a first legal mortgage over freehold property.

The freehold investment property was transferred to Arthur Woollacott Limited on 31 December 1997.

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1997

7 Tangible fixed assets - continued

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

Cost or valuation	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Total £
1 January 1997	17,435	493,299	8,177	518,911
Deletions	(17,435)	-	-	(17,435)
Additions	46,305	-	-	46,305
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 1997	46,305	493,299	8,177	547,781
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
1 January 1997	6,858	117,407	4,906	129,171
Deletions	(10,491)	-	-	(10,491)
Charge for period	6,137	49,830	1,635	57,602
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 1997	2,504	167,237	6,541	176,281
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
31 December 1997	43,801	326,062	1,636	371,500
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 1997	10,577	375,892	3,271	389,740
	<hr/>	<hr/>	<hr/>	<hr/>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS
31 December 1997

8 Fixed asset investments

	Investments £
Cost	
Additions	250
31 December 1997	<u>250</u>
Net book amount	
31 December 1997	<u>250</u>
1 January 1997	<u>-</u>

The investment addition during the year represents one share purchased in Independent Manufacturers Alliance Limited. The company is registered in England.

The directors are of the opinion that the current value of this investment is not materially different from its cost.

9 Stocks

	1997 £	1996 £
Work in progress	2,102	9,902
Raw materials and consumables	310,509	309,558
Finished goods and goods for resale	144,559	80,295
	<u>457,170</u>	<u>399,755</u>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1997

10 Debtors	1997	1996
	£	£
Amounts falling due within one year		
Trade debtors	1,464,233	1,484,171
Other debtors	38,397	28,012
Prepayments and accrued income	122,812	94,690
	<u>1,625,442</u>	<u>1,606,873</u>

Prepayments include £96,348 (1995 : £82,450) tooling costs incurred which the directors believe will be recovered in full against future sales.

Included in other debtors is a loan to one of the directors - K Baldwin, as follows:-

	£
Balance at 1 January 1997	20,026
Balance at 31 December 1997	12,879
Maximum outstanding during the year	<u>20,026</u>

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.

11 Creditors: amounts falling due within one year	1997	1996
	£	£
Bank overdraft	-	440,497
Confidential invoice discounting balance	844,420	-
Trade creditors	947,810	452,542
Amounts owed to group undertakings	144,460	963,358
Corporation tax	21,756	19,024
Other taxation and social security	93,510	109,836
Other creditors	13,512	13,130
Accruals and deferred income	63,833	30,618
Obligations under finance leases and hire purchase contracts - note 11	96,272	97,913
	<u>2,225,573</u>	<u>2,126,918</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

The confidential invoice discounting balance is secured on the company's trade debtors.

EP PACKAGING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1997

12 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Other loans	548,873	1,482,123
Obligations under finance leases	79,071	164,570
	<u>627,944</u>	<u>1,646,693</u>

Maturity of debt

In one year or less, or on demand

- see note 10

In five years or more

-	-
548,873	1,482,123

Amounts falling due after more than five years:

Other loans	548,873	1,482,123
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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	96,272	97,913
--------------------------------	--------	--------

13 Deferred taxation

	1997		1996	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by capital allowances in advance of depreciation	56,641	-	92,099	-

The potential liability and provision are based on a corporation tax rate of 31% (1996 : 24/25%).

14 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year representing a Net addition to shareholders' funds	230,390	253,915
Opening shareholders' funds	635,000	381,085
Closing shareholders' funds	<u>865,390</u>	<u>635,000</u>

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1997

15 Called up share capital

	1997		1996	
	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>

16 Profit and loss account

	1997 £
1 January 1997	135,000
Retained profit for the year	<u>230,390</u>
31 December 1997	<u>365,390</u>

17 Capital commitments

	1997 £	1996 £
Contracted for but not provided in financial statements	<u>54,668</u>	<u>8,789</u>
Authorised but not contracted for	<u>1,800</u>	<u>-</u>

18 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.

EP PACKAGING LIMITED
NOTES ON FINANCIAL STATEMENTS
31 December 1997

19 Cash flows

**Returns on investment and servicing
of finance**

	1997 £	1996 £
Interest paid	(16,574)	(49,947)
Hire purchase interest	(19,457)	(27,957)
	<u>(36,031)</u>	<u>(77,904)</u>

Capital expenditure

Payments to acquire fixed asset investments	(250)	-
Payments to acquire tangible fixed assets	(352,380)	(181,273)
Receipts from sales of tangible fixed assets	883,823	535
	<u>531,193</u>	<u>(180,738)</u>

Financing

- bank loan repayments	-	(53,567)
- lease/hire purchase repayments	(87,140)	(93,388)
	<u>(87,140)</u>	<u>(146,955)</u>

20 Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash in hand and at bank	774	16,184	16,958
Overdrafts	(440,497)	440,497	-
		<u>456,681</u>	
Debt due within 1 year	(963,358)	818,898	(144,460)
Debt due after 1 year	(1,482,123)	933,250	(548,873)
Finance leases	(262,483)	87,140	(175,343)
		<u>1,839,288</u>	
Total	<u>(3,147,687)</u>	<u>2,295,969</u>	<u>(851,718)</u>