

OWENS-ILLINOIS PLASTICS LIMITED (FORMERLY PET TECHNOLOGIES LIMITED)

Report and Accounts

31 December 2000

Registered Number: 1038677

 ERNST & YOUNG



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Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

DIRECTORS

D Van Hooser
T L Young

SECRETARY

United Glass Group Limited	(resigned 16 June 2000)
W J Poulter	(appointed 16 June 2000 and resigned 7 June 2002)
P J Anderson	(appointed 16 October 2002)

AUDITORS

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

REGISTERED OFFICE

Irton House
The Tower Estate
Warpsgrove Lane
Chalgrove
Oxon
OX44 7TH

DIRECTORS' REPORT

The directors present their annual report and the accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £190,000 (1999: £604,000). This result included an exceptional loss of £457,000 (1999: £626,000) which relates to the sale of the PV Closures business. The directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITY

The company's principal activity during the year continued to be the manufacture of plastic containers, mainly in PET resin but also in polypropylene. These products were supplied to a variety of manufacturers for filling with their products (food, drinks, cosmetics, pharmaceuticals, etc.).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Turnover increased in 2000 to £11,376,000, the links within the Owens Illinois group of companies again being used to consolidate market share.

The continued investment in the business is intended to focus on improving efficiency as well as increasing capacity in the future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed on page 2. No director held an interest in the share capital of the company, nor were any directors remunerated by the company during the year.

DONATIONS

There were no charitable donations in 2000 (1999: Nil).

AUDITORS

Ernst & Young LLP will be proposed for reappointment as Auditors at the next Annual General Meeting.

On behalf of the Board

Thomas J. Young

Nov. 12, 2002

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OWENS-ILLINOIS PLASTICS LIMITED (FORMERLY PET TECHNOLOGIES LIMITED)

We have audited the company's financial statements for the year ended 31 December 2000 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

21 November 2002

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
TURNOVER	2	11,376	9,277
Cost of sales		(5,378)	(4,098)
GROSS PROFIT		5,998	5,179
Distribution costs		(549)	(493)
Administrative expenses		(4,650)	(4,051)
OPERATING PROFIT	3	799	635
Exceptional item	4	(457)	(626)
Bank interest receivable		-	24
Interest payable and similar charges	7	(532)	(685)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(190)	(652)
Tax on loss on ordinary activities	8	-	48
LOSS RETAINED FOR THE FINANCIAL YEAR		(190)	(604)

There were no recognised gains or losses other than the loss attributable to shareholders of the company of £190,000 in the year ended 31 December 2000 (1999: £604,000).

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

BALANCE SHEET

At 31 December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	9	7,380	7,406
CURRENT ASSETS			
Stocks	10	1,979	1,346
Debtors	11	2,340	4,076
Cash at bank and in hand		564	-
		4,883	5,422
CREDITORS: amounts falling due within one year	12	(1,311)	(1,949)
Net current assets		3,572	3,473
TOTAL ASSETS LESS CURRENT LIABILITIES		10,952	10,879
CREDITORS: amounts falling due after more than one year	13	(5,019)	(11,710)
		5,933	(831)
CAPITAL AND RESERVES			
Called-up share capital	15	7,019	65
Share premium account	16	167	167
Capital reserve account	16	8	8
Profit and loss account	16	(1,261)	(1,071)
		5,933	(831)

Approved by the Board on

Nov 12, 2002

Thomas J. Young

Director

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

1 ACCOUNTING POLICIES

The accounts are prepared in accordance with all applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The accounts are prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis. The company relies on continued funding from Owens-Illinois Inc., who has undertaken to support the company for the foreseeable future.

Depreciation of tangible fixed assets

Depreciation is provided to write-off the cost or valuation of tangible fixed assets (less estimated residual value) over their estimated useful lives on a straight line basis. The rates of depreciation applied to fixed assets are as follows:

Plant, machinery and equipment	-	7.5% - 20% per annum
Motor vehicles	-	33% per annum
Fixtures and fittings	-	20% per annum

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Moulds and development costs

Moulds and relevant development costs are depreciated over varying periods up to a maximum of five years depending upon:

- (a) their useful life; and
- (b) the length of the customer contracts.

Depreciation is on a straight line basis commencing in the month in which the mould is first used.

Valuation of stocks

Stocks of finished goods are valued at the lower of cost and net realisable value. Cost of finished goods is defined as all the costs of production including attributable factory overheads.

All other stocks and stores are valued at lower of cost and net realisable value.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Leasing and hire purchase commitments

Fixed assets leased under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the company and hire purchase contracts are capitalised and depreciated over their estimated useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the lease term.

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

1 ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transaction in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable is deducted from the provision for deferred taxation.

Pensions

The company operates a defined benefit scheme, the "PET Technologies Limited Pension Scheme". Contributions are charged to the profit and loss as they become payable in accordance with current law. The scheme was set up in response to the sale of PET Technologies by BTR Plc. The bulk transfer from BTR took place in November 2000.

The actuary of the scheme will assess the scheme fund and, if in surplus, it will be a company decision as to whether to reduce the contribution levels. If in deficit, the shortfall will be made up by the company via increased corporate contributions spread over the financial year.

This scheme only covers ex-members of the BTR scheme. PET Technologies has authorisation from Owens-Illinois Inc. to set up a new defined benefits scheme for new employees from April 2000. This will be offered instead of ISA's.

Recoverable tooling

The company works in partnership with various customers and this may involve the agreement to purchase tooling for containers that may be recoverable over the period of the contract. This is stated within the balance sheet and any excess or surplus is reviewed and then taken to the profit and loss account.

2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the manufacture and distribution of plastic bottles and jars. An analysis of turnover by geographical market is given below:

	2000 £'000	1999 £'000
United Kingdom	10,646	8,590
Rest of Europe	704	669
Rest of world	26	18
	<u>11,376</u>	<u>9,277</u>

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

3 OPERATING PROFIT

This is stated after charging:

	2000 £'000	1999 £'000
Depreciation of owned fixed assets	940	824
Depreciation of assets held under finance leases and hire purchase contracts	6	9
Amortisation of tooling	24	20
Auditors' remuneration - audit	19	19
- other services	5	9
Operating lease rentals - plant and machinery	5	43

4 EXCEPTIONAL ITEM

	2000 £'000	1999 £'000
Costs relating to the sale of the PV closures business	457	626

5 DIRECTORS' EMOLUMENTS

There were no disclosable directors emoluments in 2000 (1999: £Nil).

6 STAFF COSTS

	2000 £'000	1999 £'000
Wages and salaries	2,682	2,072
Social security costs	225	171
Other pension costs	126	98
	3,033	2,341

The monthly average number of employees during the year was as follows:

	2000 No.	1999 No.
Sales and marketing	6	5
Manufacturing	97	83
Administration	6	6
	110	94

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Bank loans and overdrafts	102	-
Intercompany interest	430	685
	<u>532</u>	<u>685</u>

8 TAX ON LOSS ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
UK corporation tax	-	-
Corporation tax overprovided in previous year	-	48
	<u>-</u>	<u>48</u>

If full provision had been made for deferred taxation for the year, the taxation charge would have been increased by £156,000 (1999: £56,000 increase).

	2000 £'000	1999 £'000
Capital allowances in advance of depreciation	(99)	(154)
Short-term timing differences	82	10
Trading losses	(139)	88
	<u>(156)</u>	<u>(56)</u>

The tax effect relating to the exceptional item in the profit and loss account is an increase in the tax profits of £457,000 with an estimated tax value of £137,000 (1999: a reduction in losses available for carry forward of £626,000 with an estimated tax value of £188,000).

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

9 TANGIBLE FIXED ASSETS

	<i>Plant and machinery £'000</i>	<i>Equipment and vehicles £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 2000	10,413	4,365	14,778
Additions	759	172	931
Disposals	-	(39)	(39)
At 31 December 2000	11,172	4,498	15,670
Accumulated depreciation:			
At 1 January 2000	4,265	3,107	7,372
Provided during the year	552	394	946
Disposals	-	(28)	(28)
At 31 December 2000	4,817	3,473	8,290
Net book value:			
At 31 December 2000	6,355	1,025	7,380
At 31 December 1999	6,148	1,258	7,406

Plant and machinery includes assets £473,000 at net book value which were not used and hence not depreciated in the year. These assets were under construction and came into use in the following financial year.

The net book values of tangible assets held under finance leases are as follows:

	<i>2000 £'000</i>	<i>1999 £'000</i>
Plant and machinery:		
Cost	90	90
Depreciation	(50)	(44)
Net book value	40	46

10 STOCKS

	<i>2000 £'000</i>	<i>1999 £'000</i>
Raw material and consumables	430	285
Work in progress	41	48
Finished goods and goods for resale	1,508	1,013
	1,979	1,346

The directors consider that there is no material difference between the value of stock stated above and its replacement cost.

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

11 DEBTORS: amounts falling due within one year

	2000 £'000	1999 £'000
Trade debtors	1,537	2,308
Amounts due from group undertakings	70	1,208
Recoverable tooling	446	312
Prepayments and accrued income	208	169
Corporation tax	79	79
	<u>2,340</u>	<u>4,076</u>

Included in recoverable tooling is £156,424 (1999: £158,847) which is recoverable in more than one year.

12 CREDITORS: amounts falling due within one year

	2000 £'000	1999 £'000
Bank loans and overdrafts	-	29
Obligations under finance leases	-	2
Trade creditors	985	1,580
Amounts owed to group undertaking	99	-
Corporation tax	-	-
Other taxes and social security costs	73	146
Other creditors	22	11
Accruals and deferred income	132	181
	<u>1,311</u>	<u>1,949</u>

13 CREDITORS: amounts falling due after more than one year

	2000 £'000	1999 £'000
Amounts due to immediate parent undertaking	<u>5,019</u>	<u>11,710</u>

14 DEFERRED TAXATION

	Provided		Not provided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Accelerated capital allowances	-	-	1020	921
Short-term timing differences	-	-	(92)	(10)
Trading losses	-	-	(19)	(158)
	<u>-</u>	<u>-</u>	<u>909</u>	<u>753</u>

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

15 SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised		
Ordinary shares of £1 each	7,643,801	-
'A' ordinary shares of £1 each	-	32,000
'B' ordinary shares of £1 each	-	33,207
'C' ordinary shares of £1 each	-	100
	<u>7,643,801</u>	<u>65,307</u>

On 16 June 2000, the 'A' ordinary shares, 'B' ordinary shares, and 'C' ordinary shares were converted to ordinary shares of £1 each. On the same day, a further 7,578,494 were allotted.

On 16 June 2000, 7,019,127 shares were issued to United Glass Limited at par. Consideration was a corresponding reduction in the loan outstanding to the company.

16 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total share- holders' funds £'000
At 1 January 1999	65	167	8	(467)	(227)
Loss for the year	-	-	-	(604)	(604)
At 1 January 2000	65	167	8	(1,071)	(831)
Shares issued in the year	6,954	-	-	-	6,954
Loss for the year	-	-	-	(190)	(190)
At 31 December 2000	<u>7,019</u>	<u>167</u>	<u>8</u>	<u>(1,261)</u>	<u>5,933</u>

17 PENSION COMMITMENTS

The company operates a defined benefit scheme for its employees. The pension costs and assets are assessed in accordance with the advice of a professionally qualified actuary based on calculations carried out at the most recent valuation which was conducted as at 6 April 2000.

The valuation is calculated using the projected unit method and uses the following main assumptions:

Valuation rate of interest	7% pa
Salary increase	4% pa
Pension increases on non GMP element (LPI level)	3% pa
Dividend growth (for valuing the assets)	7% pa

At 6 April 2000 the value of the scheme was £1.7m. The ongoing funding level is 107%.

No amounts were owing to the pension fund at year end.

18 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £140k (1999: £Nil).

Owens-Illinois Plastics Limited (formerly PET Technologies Limited)

NOTES TO THE ACCOUNTS

At 31 December 2000

19 OTHER FINANCIAL COMMITMENTS

	2000 £'000	1999 £'000
Operating leases which include no land and buildings and which expire:		
Within one year	5,149	23,000
In two to five years	6,036	7,000
	<u>11,187</u>	<u>30,000</u>

20 CASH FLOW STATEMENT

As the company was at the year end a wholly owned subsidiary of Owens-Illinois BV, a company registered in The Netherlands, it has taken advantage of the exemption provided under the scope of FRS 1 (Revised 1996) not to prepare a cash flow statement.

21 RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary undertaking of Owens-Illinois BV through its ownership by United Glass Limited, a company registered in The Netherlands, which prepares published consolidated financial statements, the company has pursuant to paragraph 17 of FRS 8 "Related Party Disclosures" not included details of transactions with other companies which are subsidiaries of Owens-Illinois Inc. There are no other related party transactions.

Disclosure of the Directors' interests in the shares of the company is made in the Directors' Report.

22 PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking of PET Technologies Limited is United Glass Limited.

The company's ultimate parent undertaking and controlling party is Owens-Illinois Inc., which is incorporated in the United States. Copies of its group accounts, which included the company, are available from One SeaGate, Toledo OH43666, USA.