

Owens-Illinois Plastics Ltd

Report and Financial Statements

31 December 2002

Registered Number : 1038677



Directors' report

Directors

D Van Hooser
T L Young

Secretary

P J Anderson

Auditors

Ernst & Young LLP
1 Colmore Row
Birmingham
B3 2DB

Bankers

Barclays Bank PLC
28 George Street
Luton
LU1 2AE

Registered office

Irton House
The Tower Estate
Warpsgrove Lane
Charlsgrove
Oxfordshire
OX44 7TH

Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

Results and dividends

The loss for the year amounted to £2,388,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

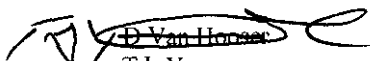
The principal activity of the company during the year continued to be the manufacture of plastic containers, mainly in PET resin but also in polypropylene. These products were supplied to a variety of manufacturers for filling with their products (food, drinks, cosmetics, pharmaceuticals, etc).

Turnover increased to £12,457,000 in 2002, again showing growth whilst consolidating market share using the Owens Illinois Group of Companies.

Additional investment in the business of £2,039,000 occurred in 2002. This is expected to improve production efficiencies in the future.

Directors

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

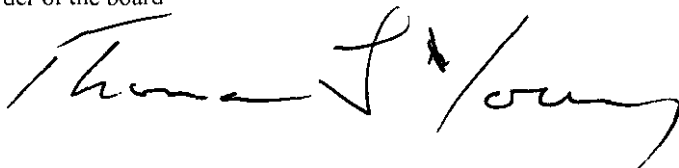

~~D Van Horne~~
T L Young

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



24 FEBRUARY 2004

Statement of directors' responsibilities in respect of the 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 of the profit or loss of the company for that year. *In preparing those financial statements, the directors are required to:*

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditors' report

to the members of Owens-Illinois Plastics Ltd

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Independent auditors' report

to the members of Owens-Illinois Plastics Ltd (continued)

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

5 March 2004

Profit and loss account
for the year ended 31 December 2002

	<i>Notes</i>	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i> <i>(restated)</i>
Turnover	2	12,457	11,269
Cost of sales		10,436	6,543
Gross profit		2,021	4,726
Distribution costs		1,348	913
Administrative expenses		3,083	3,922
Operating loss	3	(2,410)	(109)
Loss on sale or termination of an operation	4	-	(712)
		(2,410)	(821)
Interest payable	6	620	467
Loss on ordinary activities before taxation		(3,030)	(1,288)
Tax credit on loss on ordinary activities	7	(642)	-
Loss for the financial year		(2,388)	(1,288)

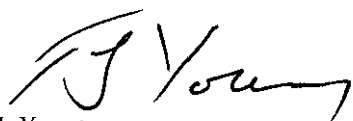
Statement of total recognised gains and losses
for the year ended 31 December 2002

	2002	2001 (restated)
	£000	£000
Loss for the financial year	2,388	1,288
Total recognised gains and losses relating to the year	2,388	1,288
Prior year adjustment (see note 1)	-	1,718
Total gains and losses recognised since the last annual report	2,388	3,006

Balance sheet

at 31 December 2002

	Notes	2002 £000	2001 £000 (restated)
Fixed assets			
Tangible assets	8	8,608	8,044
Current assets			
Stocks	9	1,336	1,616
Debtors	10	3,303	2,885
Cash at bank		44	621
		4,683	5,122
Creditors: amounts falling due within one year	11	5,678	3,250
Net current (liabilities)/assets		(995)	1,872
Total assets less current liabilities		7,613	9,916
Creditors: amounts falling due after more than one year	12	5,839	5,271
Provisions for liabilities and charges	14	610	1,093
		1,164	3,552
Capital and reserves			
Called up share capital	16	7,644	7,644
Share premium account	17	167	167
Other reserves	17	8	8
Profit and loss account	17	(6,655)	(4,267)
Equity shareholders' funds	17	1,164	3,552



T L Young
Director

24 FEBRUARY 2004

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the company has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below.

Previously, deferred tax is recognised on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly. The overall effect is that the balance sheet has decreased by £1,093,375 as at 31 December 2001 in order to recognise a deferred tax liability. In applying FRS 19, deferred tax provisions have not been calculated on a discounted basis.

A prior year adjustment has also been recorded to reflect the incorrect recording of the increase in share capital in 2000. The directors have concluded that this balance should have been adjusted in the prior year, and due to its material nature, have booked a prior year adjustment.

Fundamental accounting concept

The company is dependent upon support from its parent company. This finance and support is available for the foreseeable future and the directors believe that it is therefore appropriate to prepare accounts on a going concern basis.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant & Machinery	- 7.5% - 20% per annum
Fixtures & Fittings	- 20% per annum
Motor Vehicles	- 33% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions 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.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Pension costs

The company operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. Contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Moulds and development costs

Moulds and development costs are depreciated over varying periods up to a maximum of 5 years depending upon:

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

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

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:

	2002 £000	2001 £000
United Kingdom	9,306	9,906
Rest of Europe	3,033	1,363
Rest of World	118	—
	<u>12,457</u>	<u>11,269</u>

Notes to the financial statements

at 31 December 2002

3. Operating loss

This is stated after charging/(crediting):

	2002 £000	2001 £000
Auditors' remuneration - audit services	71	10
- non-audit services	26	23
	<u>97</u>	<u>33</u>
Directors' emoluments	<u>-</u>	<u>-</u>
Depreciation of owned fixed assets	1,114	1,027
Depreciation of assets held under finance leases	-	5
	<u>1,114</u>	<u>1,032</u>
Amortisation of tooling	485	70
	<u>1,599</u>	<u>1,102</u>
Profit on disposal of fixed assets	(5)	-
Operating lease rentals - plant and machinery	<u>18</u>	<u>5</u>

4. Exceptional items

	2002 £000	2001 £000
Costs relating to cost and goodwill following the sale of the PV closures business	-	(712)

5. Staff costs

	2002 £000	2001 £000
Wages and salaries	2,861	2,708
Social security costs	236	233
Other pension costs (note 19)	171	182
	<u>3,268</u>	<u>3,123</u>

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

	2002 No.	2001 No.
Administrative staff	6	6
Sales and marketing	6	6
Other pension costs	91	98
	<u>103</u>	<u>110</u>

There were no emoluments paid to the directors by the company in 2002 (2001: £nil).

Notes to the financial statements

at 31 December 2002

6. Interest payable

	2002 £000	2001 £000
Bank interest payable	33	54
Intercompany interest	587	413
	<u>620</u>	<u>467</u>

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2002 £000	2001 £000 (restated)
<i>Current tax:</i>		
UK corporation tax		
Group relief recoverable	(23)	-
Adjustments in respect of previous periods	(136)	-
Total current tax (note 7(b))	<u>(159)</u>	<u>-</u>

Deferred tax:

Origination and reversal of timing differences	(483)	-
Tax on loss on ordinary activities	<u>(642)</u>	<u>-</u>

(b) Factors affecting current tax charge

The differences are reconciled below:

	2002 £000	2001 £000
Loss on ordinary activities before taxation	<u>(3,030)</u>	<u>(1,288)</u>
Loss on ordinary activities by standard rate of tax in the UK 30% (2001 30%)	(909)	(386)
Disallowed expenses and non-taxable income	361	232
Capital allowances in advance of depreciation	(77)	(93)
Short-term timing differences	143	114
Adjustment in respect of previous periods	(136)	-
Trading losses	459	133
Total current tax (note 7(a))	<u>(159)</u>	<u>-</u>

Notes to the financial statements

at 31 December 2002

7. Tax (continued)

(c) Deferred tax

	2002	2001 (restated)
	£000	£000
Capital allowances in advance of depreciation	1,207	1,113
Other timing differences	(597)	(20)
<i>Provision for deferred taxation liability</i>	<u>610</u>	<u>1,093</u>
		£
At 1 January 2002		1,093
Profit and loss account movement arising during the year		(500)
Adjustment in respect of previous periods		17
At 31 December 2002		<u>610</u>

8. Tangible fixed assets

	<i>Plant & Machinery</i> £000	<i>Equipment and vehicles</i> £000	<i>Total</i> £000
Cost:			
At 1 January 2002	12,739	4,627	17,366
Additions	2,005	34	2,039
Disposals	(627)	(164)	(791)
Transfers	108	(108)	—
At 31 December 2002	<u>14,225</u>	<u>4,389</u>	<u>18,614</u>
Depreciation:			
At 1 January 2002	5,471	3,851	9,322
Provided during the year	1,032	82	1,114
Disposals	(320)	(110)	(430)
At 31 December 2002	<u>6,183</u>	<u>3,823</u>	<u>10,006</u>
Net book value:			
At 31 December 2002	<u>8,042</u>	<u>566</u>	<u>8,608</u>
At 1 January 2002	<u>7,268</u>	<u>776</u>	<u>8,044</u>

9. Stocks

	2002	2001
	£000	£000
Raw materials	411	304
Finished goods	925	1,312
	<u>1,336</u>	<u>1,616</u>

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

Notes to the financial statements

at 31 December 2002

10. Debtors

	2002 £000	2001 £000
Trade debtors	2,337	1,994
Amounts owed by group undertakings	552	93
Corporation tax repayable	179	175
Other debtors	—	377
Prepayments and accrued income	235	246
	<u>3,303</u>	<u>2,885</u>

11. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Chargeable tooling	238	—
Trade creditors	1,662	1,467
Amounts owed to group undertakings	2,979	1,552
Other taxation	27	77
Other creditors	114	—
Accruals and deferred income	658	154
	<u>5,678</u>	<u>3,250</u>

12. Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Amounts owed to group undertakings	<u>5,839</u>	<u>5,271</u>

13. Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Assets Other Than Land and buildings</i>	
	2002 £000	2001 £000
Operating leases which expire:		
Within one year	18	5
In two to five years	12	12
	<u>30</u>	<u>17</u>

Notes to the financial statements

at 31 December 2002

14. Provisions for liabilities and charges

	<i>Deferred taxation £000</i>
At 1 January 2002	1,093
Profit and Loss Account movement arising during the year	(483)
At 31 December 2002	<u>610</u>

15. Related party transactions

The company is a wholly owned subsidiary of Owens-Illinois BV, a company registered in the Netherlands who prepare 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.

16. Share capital

		<i>2002 £000</i>	<i>2001 £000</i>
Ordinary shares of £1 each		<u>7,644</u>	<u>7,644</u>

		<i>2002 £000</i>		<i>2001 £000</i>
	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	7,643,801	<u>7,644</u>	7,643,801	<u>7,644</u>

17. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2001	7,019	167	8	(1,261)	5,933
Prior year adjustment (note 1)	625	—	—	(1,718)	(1,093)
Restated balance as at 1 January 2001	7,644	167	8	(2,979)	4,840
Loss for the year	—	—	—	(1,288)	(1,288)
At 31 December 2001	7,644	167	8	(4,267)	3,552
Loss for the year	—	—	—	(2,388)	(2,388)
At 31 December 2002	<u>7,644</u>	<u>167</u>	<u>8</u>	<u>(6,655)</u>	<u>1,164</u>

18. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £98,525 (2001 - £269,000).

Notes to the financial statements

at 31 December 2002

19. Pension commitments

(a) Pensions

The company operates a defined benefit scheme for its employees.

The scheme is funded by the payment of contributions to separately administered trust funds.

The pension cost charged to the profit and loss account for the period was £203,000 (2000: £197,000). The amount included within accruals at 31 December 2001 was £20,000 (2000: £20,000).

The most recent independent actuarial valuation as at 6 April 2000 showed that the market value of the scheme assets was £1.7 million and that the actuarial value of those represented 107% of the benefits that had accrued to members after allowing for future increases in earnings. The scheme was valued in accordance with the projected unit method. The most significant assumptions affecting the valuations are as follows:

Rate of return on investment	7% pa
Rate of salary increase	3.7% pa
Rate of pension increases on non-GMP element (LPI level)	3.2% pa

FRS17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation as at 31 December 2002 and updated by Scottish Widows to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002 and 31 December 2001. Scheme assets are stated at their market value at the respective balance sheet dates.

	2002 %	2001 %
Main assumptions:		
Rate of increase in salaries	3.7	3.8
Rate of increase in pensions in payment	3.2	3.3
Discount rate	5.4	5.5
Inflation assumption	2.2	2.3

The assets and liabilities of the scheme and the expected rate of return at 31 December are:

	Long-term rate of return expected %	2002 Value £000	Long-term rate of return expected %	2001 Value £000
Equities	8.0	677	8.2	1,725
Bonds	4.7	654	5.2	367
Others	—	783	—	112
Total market value of assets		2,114		2,204
Present value of scheme liabilities		(3,321)		(2,740)
(Deficit)/surplus in the scheme		(1,207)		(536)
Related deferred tax asset		362		161
Net pension liability		845		375

Notes to the financial statements

at 31 December 2002

19. Pension commitments (continued)

An analysis of the defined benefit cost for the year ended 31 December 2002 is as follows:

	£000
Current service cost	(329)
Total operating charge	(329)
Other finance costs: Expected return on pension scheme assets	176
Other finance costs: Interest on pension scheme liabilities	(151)
Total other finance income	25
STRGL: Actual return less expected return on pension scheme assets	(516)
STRGL: Experience losses arising on scheme liabilities	(351)
STRGL: Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities	215
Actuarial loss recognised in the statement of total recognised gains and losses	(652)
Analysis of movements in surplus during the year	
	£000
At 1 January 2002	(536)
Total operating charge	(329)
Total other finance income	25
Actuarial loss recognised in the statement of total recognised gains and losses	(652)
Contributions	285
At 31 December 2002	(1,207)

History of experience gains and losses:

	2002
Difference between expected return and actual return on pension scheme assets	
- amount (£000)	(516)
- % of scheme assets	(24.4)
Experience loss arising on scheme liabilities	
- amount (£000)	(351)
- % of the present value of scheme liabilities	(10.6)
Total actuarial loss recognised in the statement of total recognised gains and losses	
- amount (£000)	(652)
- % of the present value of scheme liabilities	(19.6)

19. Ultimate parent company

The immediate parent undertaking of Owens-Illinois Limited is Owens-Illinois BV, a company registered in the Netherlands.

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 in the company, are available from One SeaGate, Toledo OH43666, USA.