



BLOWMOCAN POLYSYSTEMS LIMITED

Report and Financial Statements

30 September 1998

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1998**

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8



REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G E Bortolan
P L Campbell
M H Chapman
T M Crawshaw
J R Dickinson (resigned 12 March 1998)
P K Fisher
R I Moore
G J H Shaw

SECRETARY

G J H Shaw

REGISTERED OFFICE

Pitfield
Kiln Farm
Milton Keynes
MK11 3LE

BANKERS

Barclays Bank PLC
Central Milton Keynes

SOLICITORS

Hewitson Becke & Shaw
Northampton

Maitland & Co
London

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1998.

PRINCIPAL ACTIVITIES

The company is principally engaged in the manufacture and sale of plastic containers.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The restructuring of the operation following the closure of Scottish Pride in 1997 resulted in an improved performance in 1998. The company was able to contract capacity with major dairy groups and with increased production efficiencies, from a lower cost base, the company reported a profit for the year after taxation of £763,000. The company will continue to invest for greater efficiencies and is well placed to further strengthen its market position.

DIRECTORS AND THEIR INTERESTS

The directors in office during the period are listed below:

G E Bortolan
P L Campbell
M H Chapman
T M Crawshaw
P K Fisher
J R Dickinson (resigned 12 March 1998)
R I Moore
G J H Shaw

The directors had no interests in the shares of the company or any other UK group undertakings during the period.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year.

CREDIT PAYMENT POLICY

It is the company's policy to agree terms and conditions of trade as part of the contractual relationship with suppliers. Invariably these will be standard conditions which include the terms of payment. It is the company's policy to settle invoices in accordance with agreed terms. The average creditor days outstanding at 30 September 1998 was 64 days (1997: 75 days).

YEAR 2000

The Year 2000 issue is one that effects all companies. A Year 2000 programme has been initiated and progress is regularly monitored by the directors.

The directors aim to ensure that the company will be Year 2000 compliant by March 1999. Cost incurred to date and anticipated future costs in relation to Year 2000 compliance are insignificant.

EMPLOYMENT OF DISABLED PEOPLE

The company is an equal opportunity employer and its policy is that disabled persons should be considered for all job vacancies and subsequent career and promotional opportunities, on the basis of aptitude and ability. The company continues to help with the retraining and rehabilitation of staff who become disabled during the course of their employment.



DIRECTORS' REPORT

EMPLOYEE PARTICIPATION

Staff consultation on issues affecting them and the business has continued to take place through quarterly briefing meetings as well as by formal and informal meetings with management.

AUDITORS

Deloitte and Touche have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G E Bortolan

Director

9012 1998

**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 as at the end of the financial year 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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.

Signed on behalf of the Board of Directors

G E Bortolan

Director

9.12.1998



AUDITORS' REPORT TO THE MEMBERS OF

BLOWMOCAN POLYSYSTEMS LIMITED

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4, 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 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 the company's affairs at 30 September 1998 and of its profit for the year then ended 30 September 1998 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

9.12.1998


PROFIT AND LOSS ACCOUNT
Year ended 30 September 1998

		Year ended 30 September 1998	22 September 1996 to 30 September 1997	
	Note	£'000	Exceptional (note 6) £'000	Total £'000
TURNOVER	1	30,269	-	27,464
Cost of sales		(24,359)	-	(25,162)
GROSS PROFIT		5,910	-	2,302
Other operating charges		(4,752)	(1,752)	(6,250)
OPERATING PROFIT/(LOSS)		1,158	(1,752)	(3,948)
Loss on the sale of an operation		-	(447)	(447)
Loss on disposal of fixed assets		-	(3,262)	(3,262)
Net interest	2	(395)	-	(809)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	3	763	(5,461)	(8,466)
Tax on profit/(loss) on ordinary activities	5	-	-	-
RETAINED PROFIT/(LOSS) FOR THE YEAR		763	(5,461)	(8,466)

All the results are derived from continuing activities.

There are no recognised gains or losses or movements in shareholders' funds other than the profit for the year and the previous period.



BALANCE SHEET
30 September 1998

	Note	£'000	1998 £'000	£'000	1997 £'000
FIXED ASSETS					
Tangible assets	7		17,416		18,526
CURRENT ASSETS					
Stocks	8	322		461	
Debtors	9	5,272		5,438	
		<u>5,594</u>		<u>5,899</u>	
CREDITORS: amounts falling due within one year	10	<u>(6,880)</u>		<u>(8,761)</u>	
NET CURRENT LIABILITIES			<u>(1,286)</u>		<u>(2,862)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			16,130		15,664
CREDITORS: amounts falling due after more than one year	11		<u>(14,028)</u>		<u>(14,325)</u>
			<u>2,102</u>		<u>1,339</u>
CAPITAL AND RESERVES					
Called up share capital	14		4,530		4,530
Share premium account	15		7,995		7,995
Profit and loss account	16		<u>(10,423)</u>		<u>(11,186)</u>
			<u>2,102</u>		<u>1,339</u>

These financial statements were approved by the Board of Directors on 9.12.1998.

Signed on behalf of the Board of Directors


G E Bortolan

Director

**NOTES TO THE ACCOUNTS****Year ended 30 September 1998****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT, and arises solely in the United Kingdom.

Depreciation

Depreciation is calculated to write down the cost of intangible and tangible fixed assets other than freehold and leasehold properties by the straight line method over their expected useful lives.

The rates used are as follows:

Short leasehold properties	Period of lease
Plant and machinery	10% to 20%
Small tools	10%
Moulds	20%
Motor vehicles	25%

No depreciation is provided on freehold and long leasehold properties as it is the company's policy to maintain these assets in a continual state of sound repair. The useful economic lives of these assets are thus so long and residual values so high that any depreciation would not be material. Residual values are based on prices prevailing at the date of acquisition or subsequent valuation. Any permanent diminution in value is taken to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or at rates specified in forward contracts where these are in place. Exchange differences are dealt with through the profit and loss account.

Pension costs

Pension costs of the defined contribution scheme are charged against profits as incurred.

Research and development

Total costs of the company's research and development programme are written off to the profit and loss account as expenditure is incurred.



NOTES TO THE ACCOUNTS
Year ended 30 September 1998

1. ACCOUNTING POLICIES (continued)

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Cash flow

The company has taken advantage of the exemption allowed under Financial Reporting Standard 1 (Revised) 'Cash Flow Statements' not to produce a cash flow statement, as its ultimate parent company is Nampak Limited whose publically available financial statements include a group cash flow statement.

2. NET INTEREST

	Year ended 30 September 1998 £'000	22 September 1996 to 30 September 1997 £'000
Interest payable and similar charges:		
On bank loans, overdrafts and other loans		
Repayable within five years	196	250
Repayable wholly or partly in more than five years	145	139
	<hr/> 341	<hr/> 389
Finance charges in respect of hire purchase contracts	54	77
Interest payable to parent undertaking	-	344
	<hr/> 395	<hr/> 810
Interest receivable	-	(1)
	<hr/> 395	<hr/> 809

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 September 1998 £'000	22 September 1996 to 30 September 1997 £'000
Profit/(loss) on ordinary activities before taxation is after charging:		
Auditors' remuneration: - audit	23	23
- other	6	6
Depreciation of tangible fixed assets	2,075	2,312
Rentals under operating leases:		
Hire of plant and machinery	69	76
Other	465	368
Exceptional items (see note 6)	-	5,461



NOTES TO THE ACCOUNTS

Year ended 30 September 1998

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 September 1998 £'000	22 September 1996 to 30 September 1997 £'000
Staff costs during the period were as follows:		
Wages and salaries	5,957	6,286
Social security costs	527	538
Pension costs (of defined contribution scheme)	224	115
	<u>6,708</u>	<u>6,939</u>

The average number of employees of the company during the period was 347 (1997 - 368).

	1998 £'000	1997 £'000
The remuneration of the directors was as follows:		
Emoluments (excluding pension contributions)	418	490
Contributions to a defined contribution scheme	35	39
	<u>453</u>	<u>529</u>
Highest paid directors emoluments	<u>122</u>	<u>118</u>

The number of directors who are members of a defined contribution scheme is 6 (1997 - 6)

5. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for the current or prior period due to trading losses incurred in prior years which are being carried forward.


NOTES TO THE ACCOUNTS
Year ended 30 September 1998
6. EXCEPTIONAL ITEMS

	Year ended 30 September 1998 £'000	22 September 1996 to 30 September 1997 £'000
Costs of reorganisation	-	1,752
Loss on the sale of an operation	-	447
Loss on disposal of fixed assets	-	3,262
	-	5,461

Following the appointment of an administrator in 1997 at a major customer a decision was taken to close the related dedicated manufacturing operation. Because of the impact of this on the profitability of the Company and the need to relocate and absorb surplus fixed assets from the dedicated site, a restructuring of the remaining operations of the Company was undertaken in 1997. The loss on fixed asset disposals as well as the loss on the termination of the closure business has been charged below operating profit.

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Lease land and buildings Long £'000	Short £'000	Plant and machinery £'000	Total £'000
Cost					
At 30 September 1997	5,161	689	552	18,840	25,242
Additions	86	3	-	938	1,027
Disposals	-	-	(56)	(6)	(62)
At 30 September 1998	5,247	692	496	19,772	26,207
Depreciation					
At 30 September 1997	-	-	463	6,253	6,716
Provided in the period	-	-	33	2,042	2,075
Disposals	-	-	-	-	-
At 30 September 1998	-	-	496	8,295	8,791
Net book value					
At 30 September 1998	5,247	692	-	11,477	17,416
At 30 September 1997	5,161	689	89	12,587	18,526

Freehold land and buildings cumulative cost includes £254,000 (1997 - £254,000) capitalised interest.



NOTES TO THE ACCOUNTS
Year ended 30 September 1998

7. TANGIBLE FIXED ASSETS (continued)

Included in the above are assets held under hire purchase agreements as follows:

	Plant and machinery	
	1998	1997
	£'000	£'000
Net book amount at end of period	728	888
Depreciation provided in the period	160	251

8. STOCKS

	1998	1997
	£'000	£'000
Raw materials and consumables	88	172
Finished goods	234	289
	322	461

9. DEBTORS

	1998	1997
	£'000	£'000
Trade debtors	5,049	5,106
Amounts owed by group undertakings	38	21
Prepayments and accrued income	185	311
	5,272	5,438

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£'000	£'000
Bank overdraft	826	1,700
Bank loans	138	138
Other loans	45	53
Hire purchase creditors	89	436
Trade creditors	4,410	4,901
Social security and other taxes	753	567
Accruals	619	966
	6,880	8,761

The bank loans and bank overdraft are secured by fixed and floating charges over all the assets of the company which include specific charges over freehold land and buildings with a net book amount of £5,247,000. Other loans include a loan of £45,000 (1997 - £45,000) secured on the assets of the company, with an interest rate of 10.75%



NOTES TO THE ACCOUNTS
Year ended 30 September 1998

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £'000	1997 £'000
Bank loans (see below)	1,488	1,625
Other loans	45	116
Hire purchase creditors	-	89
Loans from parent undertaking	12,495	12,495
	<u>14,028</u>	<u>14,325</u>

Bank loans (excluding current instalments):

Repayable by instalments over more than five years:

At 1% above 3 months LIBOR repayable in equal
instalments terminating in 2009

1,090 1,199

At 1% above 3 months LIBOR repayable in equal
instalments terminating in 2013

398 426

1,488 1,625

The bank loans are secured by fixed and floating charges over all the assets of the company which include specific charges over freehold land and buildings with a net book amount of £5,247,000.

Other loans include a loan of £45,000 (1997 - £90,000) secured on the assets of the company, with an interest rate of 10.75%.

The loan from parent undertaking of £12,495,000 is interest free and is not repayable within five years.



NOTES TO THE ACCOUNTS
Year ended 30 September 1998

12. BORROWINGS

	1998 £'000	1997 £'000
Borrowings are payable as follows:		
Within one year		
Bank loans and overdrafts	964	1,838
Hire purchase creditors	89	436
Other loans	45	53
After one and within two years		
Bank loans	138	138
Hire purchase creditors	-	89
Other loans	45	53
After two and within five years		
Bank loans	415	415
Other loans	-	63
After five years		
Bank loans	935	1,072
Loan from parent undertaking	12,495	12,495
Other loans	-	-
	<u>15,126</u>	<u>16,652</u>

Borrowings repayable partly after five years are repayable by instalments except for the loan from parent undertaking.

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

No deferred taxation is provided. The potential amounts not provided are set out below.

	1998 £'000	1997 £'000
Accelerated capital allowances	(85)	358
Other timing differences	-	(120)
Trading losses	(592)	(1,914)
	<u>(677)</u>	<u>(1,676)</u>

NOTES TO THE ACCOUNTS
Year ended 30 September 1998

14. CALLED UP SHARE CAPITAL

	1998	1997
	£'000	£'000
Authorised		
6,600,000 ordinary shares of £1 each	6,600	6,600
Called up, allotted and fully paid		
4,530,000 ordinary shares of £1 each	4,530	4,530

15. SHARE PREMIUM ACCOUNT

	1998	1997
	£'000	£'000
At 30 September 1997 and 30 September 1998	7,995	7,995

16. PROFIT AND LOSS ACCOUNT

	1998	1997
	£'000	£'000
At beginning of period	(11,186)	(2,720)
Profit/(loss) retained for period	763	(8,466)
At end of period	(10,423)	(11,186)

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£'000	£'000
Profit/(loss) for the period	763	(8,466)
Net decrease in shareholders' funds	763	(8,466)
Shareholders' funds at beginning of period	1,339	9,805
Shareholders' funds at end of period	2,102	1,339

18. CAPITAL COMMITMENTS

	1998	1997
	£'000	£'000
Contracted for but not provided in these financial statements	295	354


NOTES TO THE ACCOUNTS
Year ended 30 September 1998
19. LEASING COMMITMENTS

Operating lease payments due within one year are £161,000 (1997 - £145,000). The commitments to make payments included in this sum expire during the following years:

	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	-	7	-	7
Within two to five years	109	45	85	53
	<u>109</u>	<u>52</u>	<u>85</u>	<u>60</u>

20. PENSIONS

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are held in a fund independent from those of the company.

21. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Nampak Group companies.

22. ULTIMATE PARENT COMPANY

The company's immediate parent company is BlowMocan Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company and controlling entity is Nampak Limited, a company incorporated in South Africa. Copies of the group financial statements are available from Nampak Limited, P O Box 784324, Sandton 2146, South Africa.