# Alma Products Limited

# Directors' report and financial statements

31 December 1998

Registered number 01665868

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COMPANIES HOUSE 02/10/99

# Directors' report and financial statements

## Contents

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

### Principal activities

The principal activities of the company are the manufacture and marketing of plastic products, primarily multi and mono-layered sheet for the food industry. In addition, the company is involved in the use of recycled materials for non-food applications.

### Business review

The food packaging sector continues to be fiercely competitive leading to further margin erosion in core markets. In addition the continued strength of Sterling during the past year has intensified the pricing pressure from our European competitors as they seek to establish their presence in the UK market. Against this background the company has increased sales volumes by in excess of twenty percent although further expansion into the European market has proven extremely difficult. The restructuring undertaken in 1997 to improve our competitiveness has proven successful as we returned to profitability in the year.

We move forward into 1999 confident that once again we can achieve substantial volume growth through the introduction of new products that will reduce the company's dependence on the intensely competitive food packaging market.

### Research and development

Research and development costs are charged as an expense in the financial period during which they are incurred, except for certain development costs which are capitalised as and when it is probable that a development project will be a success and certain criteria, including commercial and technological feasibility, have been met. Capitalisation ceases and amortisation begins when the product becomes available to customers. The amortisation period of these capitalised assets is from three to five years.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Year 2000

The company understands the problems associated with and has considered the risks imposed by the Year 2000 problem. A detailed assessment of both production and commercial systems has been undertaken in order to identify any potential problems. We believe that our factory floor systems, which are critical to our ability to continue to supply products to our customers, do not pose a problem of compliance. The Directors do not consider the costs of eliminating any other risks to be significant.

## Directors' report *(continued)*

**Directors and directors' interests**

The directors who held office during the year were as follows:

H W Kessler
D Blundell
J S Dick
H R Wild

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. As the company is a wholly owned subsidiary of a body corporate incorporated outside Great Britain, any interests in shares or debentures of that body corporate or any other body corporate incorporated outside Great Britain are not disclosable to the company.

**Auditors**

Since the last Annual General Meeting KPMG have been appointed as auditors of the company.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

D Blundell

*D Blundell*
*Secretary*

51-53 Brindley Road
Astmoor Industrial Estate
Runcorn
Cheshire
WA7 1PF

# 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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
8 Princes Parade
Liverpool L3 1QH
United Kingdom

## Report of the auditors to the members of Alma Products Limited

We have audited the financial statements on pages 5 to 18.

**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 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 as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

21 May 1999

*Chartered Accountants*
*Registered Auditors*

## Profit and loss account

***for the year ended 31 December 1998***

| | Note | | 1998 | | 1997 as restated |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Turnover** | 2 | **7,809** | | 7,943 | |
| Change in stocks of finished goods and work in progress | | **52** | | (21) | |
| Own work capitalised | | **85** | | 24 | |
| Other operating income | | **243** | | (1) | |
| | | | **8,189** | | 7,945 |
| Raw materials and consumables | | **(5,255)** | | (5,500) | |
| Staff costs | 5 | **(914)** | | (957) | |
| Depreciation and other amounts written off tangible and intangible fixed assets | | **(302)** | | (236) | |
| Other operating charges | | **(1,334)** | | (1,148) | |
| | | | **(7,805)** | | (7,841) |
| **Operating profit** | | | **384** | | 104 |
| Other interest receivable and similar income | 6 | | **72** | | - |
| Interest payable and similar charges | 7 | | **(136)** | | (148) |
| **Profit/(loss) on ordinary activities before taxation** | 3 | | **320** | | (44) |
| Tax on profit on ordinary activities | 8 | | **(12)** | | 40 |
| **Retained profit/(loss) for the year** | | | **308** | | (4) |

All turnover and operating profit are derived from continuing operations in both the current and preceding years.

## Balance sheet
***at 31 December 1998***

| | Note | 1998 | | 1997 as restated | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *9* | | **67** | | - |
| Tangible assets | *10* | | **1,999** | | 2,172 |
| | | | **2,066** | | 2,172 |
| **Current assets** | | | | | |
| Stocks | *11* | **296** | | 456 | |
| Debtors | *12* | **1,982** | | 1,544 | |
| Cash at bank and in hand | | **88** | | 19 | |
| | | **2,366** | | 2,019 | |
| **Creditors:** amounts falling due within one year | *13* | **(2,055)** | | (2,084) | |
| **Net current assets/(liabilities)** | | | **311** | | (65) |
| **Total assets less current liabilities** | | | **2,377** | | 2,107 |
| **Creditors:** amounts falling due after more than one year | *14* | | **(648)** | | (674) |
| **Accruals and deferred income** | *16* | | **(22)** | | (34) |
| **Net assets** | | | **1,707** | | 1,399 |
| **Capital and reserves** | | | | | |
| Called up share capital | *17* | | **1,000** | | 1,000 |
| Revaluation reserve | *18* | | **-** | | - |
| Profit and loss account | *18* | | **707** | | 399 |
| **Equity shareholders' funds** | | | **1,707** | | 1,399 |

These financial statements were approved by the board of directors on and were signed on its behalf by:

D Blundell

*D Blundell* 11.5.1999
*Director*

## Statement of total recognised gains and losses

*for the year ended 31 December 1998*

| | 1998 | 1997 as restated |
|---|---|---|
| | £000 | £000 |
| **Profit/(loss) for the financial year and total recognised gains and losses relating to the financial year** | **308** | (4) |
| Prior year adjustment (as explained in note 18) | **(206)** | |
| **Total gains and losses recognised since last annual report** | **102** | |

## Reconciliation of movements in shareholders' funds

*for the year ended 31 December 1998*

| | 1998 | 1997 as restated |
|---|---|---|
| | £000 | £000 |
| **Profit/(loss) for the financial year** | **308** | (4) |
| Opening shareholders' funds (originally £1,605,000 before deducting prior year adjustment of £206,000) | **1,399** | 1,403 |
| **Closing shareholders' funds** | **1,707** | 1,399 |

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Plasticos Holding AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Plasticos Holding AG, within which this company is included, can be obtained from the address given in note 21.

The company has adopted FRS 15: "Tangible Fixed Assets" and has restated its tangible fixed assets to historical cost (see note 18).

***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Freehold buildings | - | 2 - 20% per annum |
| Plant and machinery | - | 10 - 33.3% per annum |
| Fixtures and fittings | - | 20 - 33.3% per annum |
| Motor vehicles | - | 25 - 50% per annum |

No depreciation is provided on freehold land.

***Foreign currencies***

Transactions in foreign currencies are recorded using the previous month end rate to the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

# Notes *(continued)*

**Accounting policies** (continued)

***Government grants***

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Assets purchased under hire purchase agreements are depreciated over the useful economic life of the asset.

***Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

***Research and development expenditure***

Research and development costs are charged as an expense in the financial period during which they are incurred, except for certain development costs which are capitalised as and when it is probable that a development project will be a success and certain criteria, including commercial and technological feasibility, have been met. Capitalisation ceases and amortisation begins when the product becomes available to customers. The amortisation period of these capitalised assets is from three to five years.

***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the actual cost is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

## Notes *(continued)*

### 2 Analysis of turnover

| | **Turnover £000** | Turnover £000 |
|---|---|---|
| ***By geographical market*** | | |
| **Sale of plastic products:** | | |
| United Kingdom | **6,903** | 6,276 |
| Overseas | **906** | 1,667 |
| | **7,809** | 7,943 |

### 3 Profit/(loss) on ordinary activities before taxation

| | **1998 £000** | 1997 £000 |
|---|---|---|
| ***Profit/(loss) on ordinary activities before taxation is stated*** | | |
| *after charging* | | |
| Auditors' remuneration: | | |
| Audit | **11** | 12 |
| Other services | **2** | 7 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | **246** | 229 |
| Leased | **68** | 19 |
| Exchange losses | **-** | 5 |
| Hire of plant and machinery - rentals payable under operating leases | **16** | 9 |
| Hire of other assets - operating leases | **88** | 88 |
| Research and development expenditure - current year expenditure | **67** | - |
| Management charges payable to parent company | **249** | 194 |
| *after crediting* | | |
| Exchange gains | **40** | - |
| Amortisation of Government grants | **12** | 12 |
| Profit on sale of fixed assets | **22** | 128 |

### 4 Remuneration of directors

| | **1998 £000** | 1997 £000 |
|---|---|---|
| Directors' emoluments | **82** | 82 |
| Company contributions to money purchase schemes | **10** | 10 |
| | **92** | 92 |

Retirement benefits are accruing to 2 directors *(1997: 2)* under money purchase schemes.

## Notes *(continued)*

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | **1998** | 1997 |
| Administration | **6** | 6 |
| Production | **48** | 53 |
| Sales | **2** | 2 |
| | **56** | 61 |

The aggregate payroll costs of these persons were as follows:

| | **1998** | 1997 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **817** | 865 |
| Social security costs | **84** | 82 |
| Other pension costs | **13** | 10 |
| | **914** | 957 |

### 6 Other interest receivable and similar income

| | **1998** | 1997 |
|---|---|---|
| | **£000** | £000 |
| Receivable from group undertakings | **32** | - |
| Net exchange gains | **40** | - |
| | **72** | - |

# Notes *(continued)*

## 7 Interest payable and similar charges

| | 1998 £000 | 1997 £000 |
|---|---|---|
| On bank loans and overdrafts | **62** | 63 |
| On all other loans | **26** | 38 |
| Net exchange losses | - | 3 |
| Finance charges payable in respect of finance leases and hire purchase contracts | **48** | 44 |
| | **136** | 148 |

Of the above amount £Nil *(1997: £ 10,938 )* was payable to group undertakings.

## 8 Taxation

| | 1998 £000 | 1997 £000 |
|---|---|---|
| UK corporation tax at 21% *(1997 : 21.75 %)* | **12** | (40) |

## 9 Intangible fixed assets

| | Development costs £000 |
|---|---|
| ***Cost or valuation*** | |
| At beginning of year | - |
| Additions | 67 |
| **At end of year** | **67** |
| ***Depreciation*** | |
| At beginning of year | - |
| Charge for year | - |
| **At end of year** | - |
| ***Net book value*** | |
| **At 31 December 1998** | **67** |
| At 31 December 1997 | - |

# Notes *(continued)*

## 10 Tangible fixed assets

| | Freehold land and buildings £000 | Plant and machinery £000 | Fixtures and fittings £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | |
| At beginning of year (as previously stated) | 710 | 4,046 | 53 | 22 | 4,831 |
| Prior year adjustment (note 18) | (235) | - | - | - | (235) |
| At beginning of year (as restated) | 475 | 4,046 | 53 | 22 | 4,596 |
| Additions | 8 | 199 | 10 | - | 217 |
| Disposals | - | (225) | (18) | (22) | (265) |
| **At end of year** | **483** | **4,020** | **45** | **-** | **4,548** |
| ***Depreciation*** | | | | | |
| At beginning of year (as previously stated) | 121 | 2,272 | 39 | 21 | 2,453 |
| Prior year adjustment (note 18) | (29) | - | - | - | (29) |
| At beginning of year (as restated) | 92 | 2,272 | 39 | 21 | 2,424 |
| Charge for year | 19 | 282 | 12 | 1 | 314 |
| On disposals | - | (149) | (18) | (22) | (189) |
| **At end of year** | **111** | **2,405** | **33** | **-** | **2,549** |
| ***Net book value*** | | | | | |
| **At 31 December 1998** | **372** | **1,615** | **12** | **-** | **1,999** |
| At 31 December 1997 | 383 | 1,774 | 14 | 1 | 2,172 |

Included in the total net book value of tangible fixed assets is £707,292 *(1997 :£644,925)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £68,151 *(1997 :£18,676)*.

Included in the total net book value of plant and machinery is £224,407 in respect of assets in the course of construction. Depreciation for the year in those assets was £Nil.

## Notes *(continued)*

### 11 Stocks

| | 1998 | 1997 |
|---|---|---|
| | £000 | £000 |
| Raw materials and packaging | 100 | 299 |
| Finished goods and goods for resale | 111 | 59 |
| Engineering stocks and other consumables | 85 | 98 |
| | 296 | 456 |

Stocks include £9,120 *(1997: £36,786)* of goods which were not paid for at the balance sheet date and are covered by supplier's reservation of title clauses.

### 12 Debtors

| | 1998 | 1997 |
|---|---|---|
| | £000 | £000 |
| Trade debtors | 1,039 | 1,070 |
| Amounts owed by group undertakings | 779 | 415 |
| Other debtors | 154 | 34 |
| Prepayments and accrued income | 10 | 25 |
| | 1,982 | 1,544 |

### 13 Creditors: amounts falling due within one year

| | 1998 | 1997 |
|---|---|---|
| | £000 | £000 |
| Mortgage loan (see note 14) | 9 | 8 |
| Bank loans and overdrafts | 56 | 3 |
| Obligations under finance leases and hire purchase contracts (see note 14) | 68 | 51 |
| Bank finance secured on trade debtors | 428 | 549 |
| Trade creditors | 1,217 | 1,353 |
| Amounts owed to group undertakings | 87 | - |
| Corporation tax | 12 | - |
| Taxation and social security | 44 | 38 |
| Other creditors | 66 | 31 |
| Accruals and deferred income | 68 | 51 |
| | 2,055 | 2,084 |

The bank overdraft facility is secured by a second legal charge on the freehold land and buildings of the company, and interest is charged at commercial rates.

## Notes *(continued)*

### 14 Creditors: amounts falling due after more than one year

| | 1998 £000 | 1997 £000 |
|---|---|---|
| Mortgage loan | **249** | 259 |
| Obligations under finance leases and hire purchase contracts | **399** | 415 |
| | **648** | 674 |

**Analysis of mortgage loan:**

| | 1998 £000 | 1997 £000 |
|---|---|---|
| Debt can be analysed as falling due: | | |
| In one year or less, or on demand | **9** | 8 |
| Between one and two years | **9** | 8 |
| Between two and five years | **34** | 32 |
| In five years or more | **206** | 219 |
| | **258** | 267 |

The mortgage loan is secured by first charge upon the freehold land and buildings and interest is charged at commercial rates. Repayment is being made over a 25 year term by equal monthly instalments which are adjusted every April for changes in the interest rate.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | 1998 £000 | 1997 £000 |
|---|---|---|
| Within one year | **68** | 51 |
| In the second to fifth years | **250** | 193 |
| Over five years | **149** | 222 |
| | **467** | 466 |

## Notes *(continued)*

### 15 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | **Provided** | **Unprovided** | Provided | Unprovided |
| | **£000** | **£000** | £000 | £000 |
| Difference between accumulated depreciation and amortisation and capital allowances | **-** | **229** | - | 238 |
| Other timing differences | **-** | **(69)** | - | (146) |
| | **-** | **160** | - | 92 |

### 16 Accruals and deferred income

| | 1998 | 1997 |
|---|---|---|
| | **£000** | £000 |
| **Government grants** | | |
| At beginning of the period | **34** | 46 |
| Transfer to profit and loss account | **(12)** | (12) |
| At end of year | **22** | 34 |

### 17 Called up share capital

| | 1998 | 1997 |
|---|---|---|
| | **£000** | £000 |
| ***Authorised*** | | |
| Equity: Ordinary shares of £1 each | **1,000** | 1,000 |
| ***Allotted, called up and fully paid*** | | |
| Equity: Ordinary shares of £1 each | **1,000** | 1,000 |

## Notes *(continued)*

### 18 Reserves

| | Revaluation reserve £000 | Profit and loss account £000 |
|---|---|---|
| At beginning of year (as previously stated) | 206 | 399 |
| Prior year adjustment | 206 | - |
| At beginning of year (as restated) | - | 399 |
| Retained profit for the year | - | 308 |
| **At end of year** | **-** | **707** |

Comparative figures have been restated to reflect a change in accounting policy. The company has taken advantage of the transitional rules of FRS 15 and has restated freehold land and buildings to historical cost. The effect of implementing this new policy was to increase operating profit by £9,000 in 1997 and to reduce the company's reserves at 1 January 1998 by £206,000.

### 19 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

| | **1998 £000** | 1997 £000 |
|---|---|---|
| Contracted | **94** | - |

(b) In addition to the above at the end of the financial year the company had entered into commitments amounting to £415,623 (1997: £Nil) in respect of finance leases and similar hire purchase contracts, the inception of which occurs after the year end.

## Notes *(continued)*

### 19 Commitments *(continued)*

(c) Annual commitments under non-cancellable operating leases are as follows:

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and buildings | Other |
| | **£000** | **£000** | £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | - | - | - | - |
| In the second to fifth years inclusive | - | - | - | - |
| Over five years | **88** | - | 88 | - |
| | **88** | - | 88 | - |

### 20 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £10,050 *(1997 :£10,050)*.

### 21 Related party disclosures

The company has taken advantage of the exemption under Financial Reporting Standard No. 8 to avoid disclosing transactions and balances with group companies which would normally be eliminated on consolidation.

### 22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Plasticos Holding AG, a company incorporated in Switzerland.

The largest group in which the results of the company are consolidated is that headed by Plasticos Holding AG. The consolidated accounts of this company are available to the public and may be obtained from Kolinplatz 2, 6300 Zug, Switzerland. No other group accounts include the results of the company. The directors of the company believe that HW Kessler is the ultimate controlling party by virtue of his holding in the share capital of the ultimate holding company.