COMPANY NO. 481295

CHEVLER PACKAGING LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

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CHEVLER PACKAGING LIMITED
COMPANY INFORMATION

DIRECTORS: S M Staff
A D Manzie
G F Robb (Resigned 8 March 2005)
D V Anthony

SECRETARY: M A Staff

REGISTERED OFFICE: Longwick Road
Princes Risborough
Buckinghamshire
HP27 9RT

AUDITORS: Horwath Clark Whitehill LLP
Aquis House
49-51 Blagrave Street
Reading
Berkshire
RG1 1PL

BANKERS: Svenska Handelsbanken AB (publ)
Andrews House
College Road
Guildford
Surrey
GU1 4RG

CHEVLER PACKAGING LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

The directors present their report and accounts for the year ended 30 June 2005.

RESULTS AND DIVIDENDS

The company loss for the year before taxation amounted to £531,251 *(2004: loss £130,538)*. The company continues to trade under significant pressures and during this financial year further measures have been put in place to return to profitability beyond 2005.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the year continued to be the manufacture of packaging products. The freehold land and buildings were professionally revalued during the year on an existing use basis at £4.95m, approximately £0.9m above the figure disclosed in the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows: -

		Ordinary shares of 5p each	
		At 30 June 2005	*At 30 June 2004*
S M Staff		-	-
A D Manzie		**1**	*1*
G F Robb	(Resigned 8 March 2005)	-	-
D V Anthony		-	-

The interests of the directors in the ultimate holding company are shown in the accounts of Chevler Holdings Limited. No right to subscribe for shares or debentures in the company was granted to, or exercised by, any director during the year.

AUDITORS

The auditors, Horwath Clark Whitehill LLP, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 24 August 2006
and signed on its behalf by

M A Staff
Secretary

CHEVLER PACKAGING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the company at the end of the year and 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 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 assume 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 or other irregularities. The directors are responsible for ensuring the Directors' Report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHEVLER PACKAGING LIMITED

We have audited the financial statements of Chevler Packaging Limited for the year ended 30 June 2005 which comprise Profit and Loss account, Balance Sheet, and the related notes. These financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinion 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 financial statements in accordance with applicable law and United Kingdom 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 misstatement 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHEVLER PACKAGING LIMITED (CONTINUED)

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 the information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainty as to the finalisation of a satisfactory payment plan to address the deficit in the company's defined benefit pension scheme and the finalisation of the new finance. In view of the significance of these uncertainties we consider that they should be drawn to your attention, but our opinion is not qualified in this respect.

UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of the company as at 30 June 2005 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill LLP

Reading

HORWATH CLARK WHITEHILL LLP
Chartered Accountants and
Registered Auditors

Date: 25 August 2006

CHEVLER PACKAGING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 £	*2004* *£*
TURNOVER	2	**14,806,000**	*15,801,486*
Operating costs	3	**(15,060,624)**	*(15,645,055)*
OPERATING (LOSS)/PROFIT		**(254,624)**	*156,431*
Interest payable and similar charges	7	**(276,627)**	*(286,969)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXTION		**(531,251)**	*(130,538)*
Tax on loss on ordinary activities	8	**81,750**	*17,612*
LOSS RETAINED FOR THE FINANCIAL YEAR	17	**£ (449,501)**	*£ (112,926)*

There were no recognised gains and losses other than the loss attributable to shareholders of the company.

All activities are continuing.

The notes on pages 9 to 22 form part of these accounts

CHEVLER PACKAGING LIMITED
BALANCE SHEET
30 JUNE 2005

	Notes	2005 £	2005 £	2004 £
FIXED ASSETS				
Tangible fixed assets	9		**6,646,807**	*7,177,837*
CURRENT ASSETS				
Stocks	10	**1,582,278**		*1,638,496*
Debtors	11	**3,903,403**		*3,717,257*
Cash at bank and in hand		**51,068**		*389,925*
		5,536,749		*5,745,678*
CREDITORS: Amounts falling due within one year	12	**6,666,326**		*5,502,854*
NET CURRENT (LIABILITIES)/ASSETS			**(1,129,577)**	*242,824*
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,517,230**	*7,420,661*
CREDITORS: Amounts falling due after more than one year	13		**305,862**	*1,638,042*
PROVISION FOR LIABILITIES AND CHARGES	15		**192,932**	*314,682*
			£ 5,018,436	*£ 5,467,937*
CAPITAL AND RESERVES				
Called up share capital	16		**238,875**	*238,875*
Revaluation reserve	17		**2,377,034**	*2,414,316*
Profit and loss account	17		**2,402,527**	*2,814,746*
Shareholders' funds			**£ 5,018,436**	*£ 5,467,937*

Approved by the board on 24 August 2006
and signed on its behalf by:

S M Staff
Director

The notes on pages 9 to 22 form part of these accounts

1. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

The accounts are prepared in accordance with applicable accounting standards.

b) Cash flow statement

The company has taken advantage of exemptions available to subsidiary undertakings under FRS 1 (Revised) and not prepared a cash flow statement.

c) Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings have subsequently been revalued as at September 1990, with the revaluation surplus being taken to the revaluation reserve.

The transitional rules of FRS 15 have been adopted for land and buildings, which permits the retention of the carrying value at the previously revalued amount. No future revaluations will be made in respect of these land and buildings.

d) Depreciation

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

Freehold buildings	- 50 years
Plant, dies and motor vehicles	- 3 to 15 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historic cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

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

e) Government grants

Grants of a revenue nature are credited to the profit and loss account and are set off against the expenditure to which they relate.

f) Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work-in-progress, cost includes an appropriate proportion of production overheads.

Net realisable value is the estimated selling price less any further costs to completion.

1. ACCOUNTING POLICIES (CONTINUED)

g) Deferred taxation

Deferred taxation 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 and 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 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.

h) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All foreign exchange differences are recognised in the profit and loss account.

i) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under finance leases and hire purchase contracts are recognised as liabilities and included in the balance sheet.

The interest elements of finance leases and hire purchase contracts are charged to the profit and loss account over the period of the lease.

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

1. ACCOUNTING POLICIES (CONTINUED)

j) Pensions

The company operates a defined benefit pension scheme and a defined contribution pension scheme both of which require contributions to be made to separately administered funds.

Contributions to the defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The regular cost is attributed to individual years using the attained age method. Variations in pension costs, 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.

Contributions to the defined contribution pension scheme are charged to the profit and loss account on the accruals basis and in accordance with the rules of the scheme.

k) Going concern

Chevler Packaging Limited is a private business that has a long trading history, and in line with many businesses started at the same time, a defined benefit pension scheme was set up for its employees.

For many years the scheme has operated satisfactorily, but in common with many other schemes, in recent years, the scheme has a funding deficit.

The last actuarial valuation was carried out as at 30th June 2003, and the position at that time is *explained in note 19 to the accounts.*

The next actuarial valuation is currently being carried out to ascertain the position as at the 30th June 2006, and the results are expected by the 30th September 2006.

The Directors, having regard to fundamental factors such as increased longevity of it's scheme members lives, and subdued yields on underlying investments, anticipate that the deficit in the defined benefit pension scheme will remain at levels comparable with the deficit reported in respect of 2003.

Having regard to the likely level of deficit that will be determined by the 2006 actuarial valuation, the company, in consultation with the scheme members and their representatives, agreed to close the final salary scheme to new and existing members and anticipate this to happen during September 2006, subject to the members approving the terms of the new Group Personal Pension scheme, whereby joint contributions made by the employer and employee will be fixed at a maximum of 14% of pensionable salary.

All members of the scheme will be offered the Group Personal Pension scheme to replace the defined benefit scheme from that date moving forwards.

The actuarial valuation being carried out as at 30th June 2006 will reflect that decision, and the deficit will therefore be crystallised, and managed over the coming years.

The company is currently in consultation with the scheme Trustees to agree a mutually acceptable methodology and term for managing the deficit, and returning to a positive position.

k) Going concern (continued)

This has included drafting a repayment scheme over an agreed number of years based on projected results for the company. These projections are to be subject to an independent review and in the event that this review is unable to conclude that the proposed funding plan is supportable there will be referral to the Pensions Regulator for their opinion on the proposals for refunding the scheme.

At the date of approval of the accounts a significant new contract has been won and the company is optimistic about other new ventures and contracts it is exploring. New finance is being finalised which will support projected cashflows for the next twelve months. As the date of the next actuarial review is due to be after these accounts are signed, the latest value of the deficit cannot be confirmed and the exact nature of how the pension scheme is to be refunded has still not been finalised. This does therefore represent some uncertainty to the going concern of the company which could become fundamental and so this fact is being drawn to the attention of the reader of the accounts. With the opportunities that are opening up to the company it is hoped that the company will be put in good stead to fund the pension deficit as required. The directors believe it is appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that would result if a funding agreement for the deficit cannot be reached that is supportable by the company.

2. TURNOVER

Turnover is stated net of value added tax. The turnover and result for the year relate to the company's principal activity, that of the manufacture of packaging products.

An analysis of turnover by geographical market is given below:-

	2005 £	2004 £
United Kingdom	13,552,554	14,146,112
Overseas	1,253,446	1,655,374
	£ 14,806,000	£ 15,801,486

3. OPERATING COSTS

	2005 £	2004 £
Raw materials	7,124,714	7,434,208
Changes in stocks of work-in-progress and finished goods	56,218	322,450
Employee costs	4,690,457	4,590,713
Depreciation	782,096	837,164
Other operating expenses	2,407,139	2,460,520
	£15,060,624	£15,645,055

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Finance charges payable under invoice discounting agreement	122,157	123,318
Finance charges payable under finance leases and hire purchase contracts	54,417	65,474
Bank loans and overdrafts	86,029	77,795
Directors' loans and other loans	14,024	20,382
	£ 276,627	£ 286,969

8. TAX ON (LOSS) ON ORDINARY ACTIVITIES

Analysis of charge in period

	2005 £	2004 £
Current tax:		
UK corporation tax	-	-
Corporation tax recovered due to loss carried back	-	-
Corporation tax over provided in previous years	-	-
Total current tax charge	-	-
Deferred taxation:		
Origination and reversal of timing differences	(81,750)	(17,612)
Tax on loss on ordinary activities	£ (81,750)	£ (17,612)

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(531,251)	(130,538)
Loss on ordinary activities multiplied by a rate of corporation tax in the UK of 19% (2004: 19%)	(100,938)	(24,802)
Effects of:		
Expenses not deductible for tax purposes	13,776	11,611
Depreciation for the period in excess of capital allowances	21,119	(8,873)
Group relief	-	-
Other short term timing differences	15,409	(7,600)
Unrealised tax losses and other deductions arising in the period	50,634	29,664
Current tax charge for period	£ -	£ -

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Finance charges payable under invoice discounting agreement	122,157	123,318
Finance charges payable under finance leases and hire purchase contracts	54,417	65,474
Bank loans and overdrafts	86,029	77,795
Directors' loans and other loans	14,024	20,382
	£ 276,627	£ 286,969

8. TAX ON (LOSS) ON ORDINARY ACTIVITIES

Analysis of charge in period

	2005 £	2004 £
Current tax:		
UK corporation tax	-	-
Corporation tax recovered due to loss carried back	-	-
Corporation tax over provided in previous years	-	-
Total current tax charge	-	-
Deferred taxation:		
Origination and reversal of timing differences	(81,750)	(17,612)
Tax on loss on ordinary activities	£ (81,750)	£ (17,612)

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(531,251)	(130,538)
Loss on ordinary activities multiplied by a rate of corporation tax in the UK of 19% (*2004: 19%*)	(100,938)	(24,802)
Effects of:		
Expenses not deductible for tax purposes	13,776	11,611
Depreciation for the period in excess of capital allowances	21,119	(8,873)
Group relief	-	-
Other short term timing differences	15,409	(7,600)
Unrealised tax losses and other deductions arising in the period	50,634	29,664
Current tax charge for period	£ -	£ -

8. TAX ON (LOSS) ON ORDINARY ACTIVITIES (continued)

Factors that may affect tax charge for period

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £202,700 (*2004: £202,700*). At present, it is not envisaged that any tax will become payable in the foreseeable future.

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, dies and motor vehicles £	Total £
Cost or valuation			
At 1 July 2004	4,833,292	9,478,234	14,311,526
Additions	-	255,486	255,486
Disposals	-	(16,133)	(16,133)
At 30 June 2005	4,833,292	9,717,587	14,550,879
Depreciation			
At 1 July 2004	874,562	6,259,127	7,133,689
Charge for the year	71,222	710,874	782,096
Disposals	-	(11,713)	(11,713)
At 30 June 2005	945,784	6,958,288	7,904,072
Net Book Value			
At 30 June 2005	**£ 3,887,508**	**£ 2,759,299**	**£ 6,646,807**
At 30 June 2004	*£ 3,958,730*	*£ 3,219,107*	*£ 7,177,837*

Included in freehold land and buildings is land valued at £1,529,937 (*2004: £1,529,937*) which is not depreciated.

The net book value of plant, dies and motor vehicles includes an amount of £1,312,854 (*2004: £2,259,220*) in respect of assets held under finance leases and hire purchase contracts.

Brown & Merry Limited, Chartered Surveyors, revalued the company's freehold land and buildings in September 1990 on an existing use basis at £3,270,000. Had they not been revalued, the company's freehold land and buildings would have been carried in the balance sheet at:-

	2005 £	*2004 £*
Cost	**1,909,204**	*1,909,204*
Accumulated depreciation	**(398,561)**	*(369,776)*
	£1,510,643	*£1,539,428*

10. STOCKS

	2005 £	2004 £
Raw materials	**552,664**	*528,553*
Work-in-progress	**171,173**	*191,026*
Finished goods	**858,441**	*918,917*
	£1,582,278	*£1,638,496*

The difference between purchase price or production cost of stocks and their replacement cost is not considered to be material by the directors.

11. DEBTORS

	2005 £	2004 £
Trade debtors	**3,070,042**	*3,490,331*
Amount owed to parent undertaking	**650,300**	-
Prepayments and accrued income	**183,061**	*226,926*
	£3,903,403	*£3,717,257*

Included in prepayments and accrued income is an amount of £Nil *(2004: £200)* due from G Robb, a director of the company. The maximum balance outstanding during the year was £200.

12. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Bank loan and overdraft	**1,623,786**	-
Obligations under finance leases and hire purchase contracts	**328,755**	*465,462*
Invoice discounting creditor	**2,059,925**	*1,878,657*
Trade creditors	**2,048,466**	*2,516,448*
Other taxes and social security	**290,999**	*411,996*
Accruals	**314,395**	*230,271*
	£6,666,326	*£5,502,854*

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

The terms of the bank loan are set at 1.25% above base rate set by Svenska Handelsbanken. It is due to be paid by monthly instalments of £10,250 from November 2006, but is currently repayable on demand.

13. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Obligations under finance leases and hire purchase contracts	305,862	656,172
Amount due to parent undertaking	-	981,870
	£ 305,862	£1,638,042

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:-

	2005 £	2004 £
Amounts payable:		
Within one year	328,755	465,482
In two to five years	305,862	656,172
	£ 634,617	£1,121,654

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

15. PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £	Pension costs £	Total £
At 1 July 2004	105,600	209,082	314,682
Release for the year	(81,750)	(40,000)	(121,750)
At 30 June 2005	£ 23,850	£ 169,082	£ 192,932

The deferred taxation provision is made up as follows:-.

	2005 £	2004 £
Accelerated capital allowances	254,050	272,224
Pension costs	(32,125)	(39,235)
Other timing differences	(198,075)	(127,389)
	£ 23,850	£ 105,600

16. SHARE CAPITAL

	2005 £	*2004 £*
AUTHORISED:		
227,500 Ordinary shares of 5p each	**11,375**	*11,375*
227,500 Deferred shares of £1 each	**227,500**	*227,500*
	£ 238,875	*£ 238,875*
ALLOTTED, CALLED UP AND FULLY PAID:		
227,500 Ordinary shares of 5p each	**11,375**	*11,375*
227,500 Deferred shares of £1 each	**227,500**	*227,500*
	£ 238,875	*£ 238,875*

The holders of the deferred shares have no rights to receive dividends or to vote at general meetings. They rank below the ordinary shares on a winding-up and are thus considered to be equity shares.

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 July 2003	*238,875*	*2,451,598*	*2,890,390*	*5,580,863*
Loss for the year	*-*	*-*	*(112,926)*	*(112,926)*
Release of depreciation on revalued properties	*-*	*(37,282)*	*37,282*	*-*
At 1 July 2004	*238,875*	*2,414,316*	*2,814,746*	*5,467,937*
Loss for the year	-	-	(449,501)	(449,501)
Release of depreciation on revalued properties	-	(37,282)	37,282	-
At 30 June 2005	**£ 238,875**	**£2,377,034**	**£2,402,527**	**£5,018,436**

18. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £119,816 (*2004: £Nil*).

19. PENSION COMMITMENTS

The company operates a defined benefit pension scheme, The Cheverton & Laidler Limited Pension Fund, which provides defined benefits based on final pensionable pay and which is fully funded. External professional actuaries value the fund triennially using the attained age method in order to determine the necessary funding contribution to be paid by the company. The main financial assumptions used in the latest available SSAP 24 actuarial valuation as at 1 June 2003 were an annual rate of investment returns of 6.9% and 4.7% for pre and post retirement respectively, an annual rate of earnings inflation of 2.5% and an annual rate of pension increases of 2.5%.

Using these assumptions the valuations showed that the market value of the fund's assets was £4,844,000, which represents 52.5% of the accrued benefits payable to members at the date of valuation. Employees' contributions were 7% of pensionable earnings. Agreed future contribution rates are 18.9% of pensionable earnings plus additional payments of £599,800 per year. The deficiency on the current funding level basis is 47.5%. Additional payments as above are expected to reduce the deficit over a period of 10 years.

The Cheverton & Laidler Pension Fund was closed to new members in 1992. A defined contribution pension scheme was operated for new employees from this date until September 2001 when a group personal pension plan was introduced.

The pension charge for the year was £353,946 (*2004: £224,678*). The pension charge includes £66,370 (*2004: £71,108*) in respect of payments made to the defined contribution scheme and the group personal pension plan. There were £72,510 of unpaid contributions outstanding at the year-end in relation to the group personal pension plan (*2004: £33,042*).

The additional disclosures required by FRS 17 are set out below. The valuation used for FRS 17 disclosure has been based on the most recent actuarial valuation at 1 June 2003, updated by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the Scheme at 30 June 2005. The Scheme's assets are stated at their market values at 30 June 2005.

Balance sheet presentation

The following shows the fair value of the Scheme's assets less the present value of the scheme's liabilities that would be accounted for in the Balance Sheet of the company had FRS 17 been operative.

	At 30 June 2005 £000's	*At 30 June 2004 £000's*
Net assets	**5,018**	*5,468*
Pension liability included in Note 14	**169**	*209*
Net assets excluding pension liability	**5,187**	*5,677*
Pension liability	**(4,272)**	*(4,065)*
Net assets including pension liability	**£ 915**	*£ 1,612*

19. PENSION COMMITMENTS (CONTINUED)

Reserves note

The following shows the analysis of reserves that would be included in the Financial Statements of the company had FRS 17 been operative.

	At 30 June 2005 £000's	*At 30 June 2004 £000's*
Profit & loss reserve	**2,403**	*2,815*
Pension liability included in Note 14	**169**	*209*
Profit & loss reserve excluding pension liability	**2,572**	*3,024*
Pension liability	**(4,272)**	*(4,065)*
Profit and loss (deficit) including pension liability	**£ (1,700)**	*£ (1,041)*

Financial assumptions

The major assumptions used by the actuary to calculate the disclosure for Scheme liabilities were (in nominal terms):

	At 30 June 2005	**At 30 June 2004**	*At 30 June 2003*
Rate of increase in salaries	**3.00%**	**4.00%**	*4.60%*
Rate of increase of pensions in payment	**2.75%**	**3.00%**	*2.60%*
Rate of increase of pensions in deferment	**2.75%**	**3.00%**	*2.60%*
Discount rate	**5.00%**	**5.75%**	*5.30%*
Inflation assumption	**2.75%**	**3.00%**	*2.60%*

The assets of the Scheme and the expected rate of return were: -

	Long term rate of return expected at 30 June 2005 %	**Value at 30 June 2005 £ 000's**	*Long term rate of return expected at 30 June 2004 %*	*Value at 30 June 2004 £ 000's*	*Long term rate of return expected at 30 June 2003*	*Value at 30 June 2003 £ 000's*
Equities	**6.00%**	**4,585**	*6.75%*	*4,100*	*6.3%*	*3,717*
Bonds	**5.00%**	**1,207**	*5.75%*	*981*	*5.3%*	*981*
Property	**6.00%**	**29**	*6.75%*	*27*	*6.3%*	*22*
Total market value of assets		**5,821**		*5,108*		*4,720*
Actuarial value of liability		**(10,093)**		*(9,173)*		*(10,866)*
Recoverable deficit in the Scheme		**(4,272)**		*(4,065)*		*(6,146)*
Related deferred tax asset		**-**		*-*		*1,844*
Net pension liability		**£ (4,272)**		*£ (4,065)*		*£ (4,302)*

19. PENSION COMMITMENTS (CONTINUED)

Analysis of the amount charged to operating profit

The amount chargeable to operating profit for the year ended 30 June 2005 had FRS 17 been operative is as follows:

	Year ended 30 June 2005 £ 000's	*Year ended 30 June 2004 £ 000's*
Service cost	**149**	*179*
Total operating charge	**£ 149**	*£ 179*

Analysis of other finance items

The amount chargeable to other finance costs for the year ended 30 June 2005 had FRS 17 been operative is as follows:

	Year ended 30 June 2005 £ 000's	*Year ended 30 June 2004 £ 000's*
Expected return on pension Scheme assets	**338**	***293***
Interest on pension liabilities	**(526)**	***(580)***
Net return	**£ (188)**	***£ (287)***

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

The amount recognised in the Statement of Total Recognised Gains and Losses had FRS 17 been operative is analysed below:

	Year ended 30 June 2005 £ 000's	*Year ended 30 June 2004 £ 000's*	*Year ended 30 June 2003 £ 000's*
Actual return less expected return on assets	**270**	*(68)*	*(878)*
Experience gains and losses on liabilities	**-**	*1,420*	*-*
Changes in assumptions	**(432)**	*1,010*	*(2,091)*
Actuarial (loss)/gain recognised in STRGL	**£ (162)**	*£ 2,362*	*£ (2,969)*

19. PENSION COMMITMENTS (CONTINUED)

Movement in deficit during the year

	Year ended 30 June 2005 £ 000's	*Year ended 30 June 2004 £ 000's*
Deficit in Scheme at beginning of year	(4,064)	*(6,146)*
Movement in year:		
Current service cost	(149)	*(179)*
Contributions	291	*186*
Net interest cost	(188)	*(287)*
Actuarial (loss)/gain	(162)	*2,362*
Deficit in scheme at end of year	£ (4,272)	*£ (4,064)*

History of experience gains and losses

	Financial year ending in 2005	*Financial year ending in 2004*	*Financial year ending in 2003*
Difference between expected and actual return on Scheme assets:			
amount (£000's)	270	*(68)*	*(878)*
percentage of Scheme assets	5%	*(1)%*	*(19)%*
Experience gains and losses on Scheme liabilities:			
amount (£000's)	-	*1,420*	*-*
percentage of Scheme liabilities	0%	*15%*	*0%*
Total amount recognised in statement of total recognised gains and losses:			
amount (£000's)	162	*2,362*	*(2,969)*
percentage of Scheme liabilities	(2)%	*26%*	*(27)%*

20. OTHER FINANCIAL COMMITMENTS

At 30 June 2005 the company had annual commitments under non-cancellable operating leases as set out below: -

	Land and buildings		Other	
	2005 £	*2004 £*	2005 £	*2004 £*
Operating leases which expire				
In one year	-	-	5,077	-
In two to five years	27,700	*25,086*	2,158	*2,636*
In over five years	153,000	*153,000*	-	-
	£ 180,700	*£ 178,086*	£ 7,235	*£ 2,636*

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available to subsidiary undertakings under FRS 8 and not disclosed transactions with other group companies.

The company has been given a guarantee supported by a debenture by its parent undertaking, Chevler Holdings Limited, in respect of its bank loan and overdraft.

22. PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate holding undertaking is Chevler Holdings Limited, a company registered in England and Wales. It has included the company in its group accounts, copies of which are available from its registered office; Longwick Road, Princes Risborough, Buckinghamshire, HP27 9RT. In the directors' opinion the company's ultimate controlling party is the trustees of the estate of Stuart Staff. M A Staff is a trustee of the estate.

FOR THE INFORMATION OF THE DIRECTORS ONLY

CHEVLER PACKAGING LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005

	2005		2004	
	£	£	£	£
Turnover		**14,806,000**		*15,801,486*
Opening stock	**1,638,496**		*1,960,946*	
Purchases of raw materials and consumables	**7,124,714**		*7,434,208*	
Closing stock	**(1,582,278)**		*(1,638,496)*	
		7,180,932		*7,756,658*
Gross profit before other external charges		**7,625,068**		*8,044,828*
Other external charges		**903,843**		*872,172*
Gross profit after other external charges		**6,721,225**		*7,172,656*
Staff costs		**4,690,457**		*4,590,713*
Operating costs		**1,503,296**		*1,588,348*
Depreciation		**782,096**		*837,164*
Operating (loss)/profit		**(254,624)**		*156,431*
Interest payable		**(276,627)**		*(286,969)*
Net (loss)		**£ (531,251)**		*£ (130,538)*

CHEVLER PACKAGING LIMITED
DETAILED PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2005

	2005 £	2004 £
Other external charges		
Rates	141,620	122,026
Insurance	118,807	153,804
Light & heat	238,222	197,645
Engineering stores	193,398	219,286
Factory repairs & maintenance	29,184	37,923
Factory motor & travel expenses	270	35,980
Factory sundry expenses	182,342	105,508
	£ 903,843	£ 872,172

	2005 £	2004 £
Staff Costs		
Direct labour	2,787,651	2,779,483
Factory salaries	648,490	589,067
Admin salaries	457,975	463,352
Selling salaries	390,455	422,253
Distribution wages	27,907	87,938
IT salaries	24,033	23,942
Employer's pension contributions	353,946	224,678
	£ 4,690,457	£ 4,590,713

CHEVLER PACKAGING LIMITED
DETAILED PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2005

	2005 £	2004 £
Other operating costs		
Rent	156,657	154,492
Training costs	5,408	17,292
Postage & stationery	20,247	28,883
Distribution costs	137,998	142,931
Carriage costs	689,581	674,507
Telephone	12,090	23,487
Exchange (gains)/losses	(8,079)	20,899
Other income	(10,593)	(113,589)
Legal & professional	42,584	152,753
Advertising & marketing	187,619	207,052
Agents commission	60,709	103,062
Computer costs	63,027	110,275
Insurance	15,081	9,029
Sundries	28,832	21,355
Plant rental	16,722	19,282
Factor charges	30,129	30,270
Bad debts	34,194	-
Staff benefits	20,148	13,468
Loss/(profit) on disposal of fixed assets	942	(27,100)
	£ 1,503,296	£ 1,588,348