

Alupack Holdings Limited

**Directors' report and consolidated
financial statements
31 December 2010**



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Officers and professional advisers

Directors

K Tahmasebi (Executive Chairman)
A McMurray (Non-executive)

Secretary

S G Blaken

Registered office

Isfryn Industrial Estate
Blackmill
Bridgend
Mid Glamorgan
CF35 6EQ

Bankers

Lloyds TSB Bank Plc
Lloyds Court
Milton Keynes
Buckinghamshire
MK9 3EH

Auditors

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

Alupack Holdings Limited is a holding company. The principal activity of its operating subsidiary, Coppice Alupack Limited, is the manufacture and sale of aluminium foil and ovenable board containers principally for the food industry.

Business review

Sales in 2010 were £16.3 million (2009: £16.8 million). Despite the slight fall in turnover compared to the previous year, we are pleased to report much improved results. We have yet again achieved significant efficiencies in production, engineering, sales and administration areas of the business, without sacrificing quality or service to our customers or compromising on health and safety or maintenance of our plant and equipment. There is now a culture of continuous improvement in working practices and striving to be more and more efficient in the business. This could only be achieved with the help, efforts and dedication of all personnel.

Cash flows were once more positive during the year and we have managed to further reduce our borrowings.

The business is accredited by AIB (American Institute of Bakers) to "Superior" level and also holds BRC/IOP (British Retail Consortium/Institute of Packaging) accreditation for highest hygiene standards.

Market conditions remain challenging with significant overcapacity in the market and continuing rise in raw material and other costs. We are actively looking for opportunities to expand through acquisition in areas similar or complementary to our business in the current year.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The group does not use financial derivatives to manage these risks.

Cash flow risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group does not hedge its exposure to these risks, other than by fixing the price of its raw material purchases in sterling at the time of purchase.

Credit risk

The group's financial assets are bank balances and cash, trade and other receivables and investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The group has obtained credit insurance which covers the majority of the receivables from its customers.

Directors' report *(continued)*

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development, the group uses a mixture of long-term and short-term bank borrowings. Borrowings bear interest at variable rates and are subject to variations in the Bank of England base interest rate.

The group prepares regular rolling cash flow forecasts, which indicate that it has adequate headroom under its working capital facilities after meeting its day to day trading obligations.

Price risk

The group is exposed to commodity price risk. The group does not manage its exposure to commodity price risk except by fixing the price of contracted purchase commitments in sterling at the time of placing those contracts.

Dividends

The company did not declare a dividend for the financial year (2009 £Nil).

Directors

The directors of the company, who served throughout the financial year, are as shown on page 1.

Charitable donations

Charitable donations during the year amounted to £637 (2009 £1,567).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S G Blaken
Secretary

Isfryn Industrial Estate
Blackmill
Bridgend
Mid Glamorgan
CF35 6EQ

28 MARCH 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Independent auditor's report to the members of Alupack Holdings Limited

We have audited the financial statements of Alupack Holdings Limited for the year ended 31 December 2010 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Alupack Holdings Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

K Maguire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

29th March 2011

Consolidated profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010 £'000	2009 £'000
Turnover		16,263	16,807
Changes in stocks of finished goods		342	39
Raw materials and consumables		(9,879)	(10,066)
Other external charges		(2,178)	(2,467)
Staff costs	5	(2,693)	(2,875)
Depreciation and other amounts written off tangible and intangible fixed assets		(847)	(949)
Other operating income	6	-	15
Operating profit	2	1,008	504
Interest payable and similar charges	7	(223)	(256)
Profit on ordinary activities before taxation		785	248
Tax on profit on ordinary activities	8	(315)	(159)
Profit for the financial year		470	89

All activities derive from continuing operations

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

Combined statement of movements on reserves and reconciliation of movement in shareholders' funds

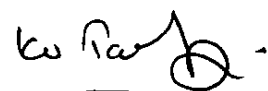
for the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2010 £'000	Total 2009 £'000
Group					
Balance at 1 January	100	59	2,275	2,434	2,345
Profit for the financial year	-	-	470	470	89
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	100	59	2,745	2,904	2,434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Company					
Balance at 1 January	100	59	60	219	392
Loss for the financial year	-	-	(157)	(157)	(173)
Dividends received	-	-	500	500	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	100	59	403	562	219
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Consolidated balance sheet
at 31 December 2010

	<i>Note</i>	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	<i>9</i>	3,718	4,051
Tangible assets	<i>10</i>	4,413	4,797
		<hr/> 8,131 <hr/>	<hr/> 8,848 <hr/>
Current assets			
Stocks	<i>12</i>	1,926	2,134
Debtors	<i>13</i>	2,842	2,791
Cash at bank and in hand		67	95
		<hr/> 4,835 <hr/>	<hr/> 5,020 <hr/>
Creditors, amounts falling due within one year	<i>14</i>	(3,156)	(4,429)
Net current assets		<hr/> 1,679 <hr/>	<hr/> 591 <hr/>
Total assets less current liabilities		<hr/> 9,810 <hr/>	<hr/> 9,439 <hr/>
Creditors, amounts falling due after more than one year	<i>15</i>	(6,669)	(6,744)
Provisions for liabilities	<i>16</i>	(237)	(261)
Net assets		<hr/> 2,904 <hr/>	<hr/> 2,434 <hr/>
Capital and reserves			
Called up share capital	<i>17</i>	100	100
Share premium account		59	59
Profit and loss account		2,745	2,275
Shareholders' funds		<hr/> 2,904 <hr/>	<hr/> 2,434 <hr/>

These financial statements were approved by the board of directors on **28 March** 2011 and were signed on its behalf by



K Tahmasebi
Director

Company balance sheet
at 31 December 2010

	<i>Note</i>	2010 £'000	2009 £'000
Fixed assets			
Investment in subsidiaries	<i>11</i>	9,209	9,209
Current assets			
Debtors	<i>13</i>	4,920	4,920
Creditors, amounts falling due within one year	<i>14</i>	(51)	(302)
Net current assets		4,869	4,618
Total assets less current liabilities		14,078	13,827
Creditors, amounts falling due after more than one year	<i>15</i>	(13,516)	(13,608)
Net assets		562	219
Capital and reserves			
Called up share capital	<i>17</i>	100	100
Share premium account		59	59
Profit and loss account		403	60
Shareholders' funds		562	219

These financial statements were approved by the board of directors on *28 March* 2011 and were signed on its behalf by



K Tahmasebi
Director

Consolidated cash flow statement
for the year ended 31 December 2010

	<i>Note</i>	2010 £'000	2009 £'000
Net cash inflow from operating activities	21	1,719	1,301
Returns on investments and servicing of finance			
Interest paid		(474)	(555)
Net cash outflow from returns on investments and servicing of finance		(474)	(555)
Taxation			
Corporation tax received		14	2
Corporation tax paid		(320)	(170)
		(306)	(168)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(146)	(219)
Receipts from sales of tangible fixed assets		17	16
Net cash outflow from capital expenditure and financial investment		(129)	(203)
Net cash inflow before financing		810	375
Financing			
Net loans repaid (net of issue costs)		(75)	(316)
Net cash outflow from financing		(75)	(316)
Increase in cash in the year	22,23	735	59

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 financial statements

Basis of preparation

The financial statements are prepared on the going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules

As 100% of the company's voting rights are controlled within the group headed by Alupack Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No 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)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiary undertakings

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The amount of the profit or loss for the financial year dealt with in the accounts of Alupack Holdings Limited is disclosed in note 3 of these financial statements

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) arising on consolidation is capitalised and amortised by equal annual instalments over its estimated useful life of 20 years

Investments

Fixed asset investments are stated at cost less provision for impairment

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated so as to write off the cost or valuation of the tangible fixed assets, on a straight-line basis, to their estimated residual value over the expected useful economic lives of the assets concerned. The principal rates are as follows

Freehold buildings	-	50 years
Plant and machinery	-	5-15 years
Office furniture and equipment	-	2 years
Motor vehicles	-	3 years

No depreciation is provided on freehold land

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials and, where appropriate, an attributable proportion of direct labour and production overheads

Notes (continued)

1 Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned

Turnover

Turnover represents the value of goods and services invoiced to customers during the period, net of any returns and rebates, and excludes any value added tax thereon. It primarily arises in the United Kingdom and Europe. Revenue is recognised on the despatch of goods. The directors consider turnover to arise from one class of business, the group's principal activity

Pension costs

Retirement benefits for eligible employees are funded by contributions from the group and employees to a separate defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account

2 Operating profit

	2010 £'000	2009 £'000
<i>Operating profit is after charging/(crediting)</i>		
Goodwill amortisation	333	333
Depreciation and amounts written off tangible fixed assets owned assets	514	616
(Profit)/loss on disposal of fixed assets	(1)	14
Foreign exchange differences	5	(7)
Auditors' remuneration		
audit services	15	14
taxation services	2	2
	<hr/>	<hr/>

Notes (continued)

3 Company profit and loss account

The directors have relied upon the exemptions contained within section 408 of the Companies Act 2006 in not presenting the profit and loss account of Alupack Holdings Limited. The profit shown in the separate financial statements of the company for the year is £343,000 (2009 Loss £173,000)

The company audit fee is borne by its subsidiary, Coppice Alupack Limited

4 Directors emoluments

	2010 £'000	2009 £'000
Directors emoluments	176	171
Money purchase pension scheme contributions	26	26
	<u>202</u>	<u>197</u>

Retirement benefits are accruing to one director (2009 one) under money purchase schemes

5 Staff numbers and costs

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

	2010 No.	2009 No
Production	114	121
Administration	13	15
	<u>127</u>	<u>136</u>

The aggregate payroll costs of these persons were as follows

	2010 £'000	2009 £'000
Wages and salaries	2,358	2,525
Social security costs	216	229
Other pension costs (note 20)	119	121
	<u>2,693</u>	<u>2,875</u>

Notes (continued)

6 Other operating income

	2010 £'000	2009 £'000
Other income	-	15
	<u> </u>	<u> </u>

7 Interest payable and similar charges

	2010 £'000	2009 £'000
Bank loans and overdrafts	223	252
Amortisation of debt issue costs	-	4
	<u> </u>	<u> </u>
	223	256
	<u> </u>	<u> </u>

8 Taxation

Analysis of charge/(credit) in period

	2010 £'000	2009 £'000
Current taxation		
UK corporation tax	358	215
Adjustment in respect of prior periods	(19)	(1)
	<u> </u>	<u> </u>
Total current tax	339	214
	<u> </u>	<u> </u>
Deferred tax		
Origination/reversal of timing differences	(45)	(55)
Adjustment in respect of prior periods	21	-
	<u> </u>	<u> </u>
Total deferred tax	(24)	(55)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	315	159
	<u> </u>	<u> </u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	785	248
Tax on profit on ordinary activities before tax at 28% (2009 28%)	220	69
Factors affecting charge for the year		
Expenses not deductible for tax purposes	1	3
Capital allowances in excess of depreciation	32	56
Non-taxable grant income	-	(4)
Adjustment in respect of prior periods	(19)	(1)
Other short-term timing differences	105	91
Current tax charge for the year (see above)	339	214

Factors that may affect future charges

Deferred tax assets and liabilities on all timing differences have been calculated at 27%, being the rate of UK corporation tax effective from 1 April 2009

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly

9 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 January 2010 and at 31 December 2010	6,650
Amortisation	
At 1 January 2010	2,599
Charge for the year	333
At 31 December 2010	2,932
Net book value	
At 31 December 2010	3,718
At 31 December 2009	4,051

Notes (continued)

10 Tangible fixed assets

Group	Freehold land and buildings £'000	Plant and machinery £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2010	3,937	9,958	134	179	14,208
Additions	-	89	6	51	146
Disposals	-	(27)	-	(52)	(79)
At 31 December 2010	3,937	10,020	140	178	14,275
Depreciation					
At 1 January 2010	871	8,349	108	83	9,411
Charge for the year	77	360	20	57	514
Disposals	-	(12)	-	(51)	(63)
At 31 December 2010	948	8,697	128	89	9,862
Net book value					
At 31 December 2010	2,989	1,323	12	89	4,413
At 31 December 2009	3,066	1,609	26	96	4,797

11 Fixed asset investments

	2010 £'000	2009 £'000
Company		
Investment in subsidiaries	9,209	9,209

The investment in subsidiaries represents 100% of the issued share capital of Coppice Group Limited, acquired on 8 March 2002, and 100% of the issued share capital of Coppice Alupack Limited, acquired in December 2003

The company's subsidiary undertakings, all of which are wholly owned and are registered and operate in England and Wales, are as follows

Subsidiary undertaking	Principal activity
Coppice Alupack Limited	Manufacture and sale of aluminium foil and ovenable board containers
Coppice Group Limited	Dormant
Harcourt Group Limited *	Dormant
Coppice Foil Containers Limited *	Dormant
Coppice Alupack (Birmingham) Limited *	Dormant

* Not held directly by Alupack Holdings Limited

Notes (continued)

12 Stocks

	2010 £'000	2009 £'000
Group		
Raw materials and consumables	1,566	1,432
Finished goods and goods for resale	360	702
	<u>1,926</u>	<u>2,134</u>

13 Debtors

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Trade debtors	2,747	-	2,697	-
Amounts owed by group undertakings	-	4,919	-	4,919
Other debtors	4	1	6	1
Prepayments and accrued income	91	-	88	-
	<u>2,842</u>	<u>4,920</u>	<u>2,791</u>	<u>4,920</u>

14 Creditors: amounts falling due within one year

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Bank overdrafts	80	-	843	-
Bank loans	75	-	75	-
Trade creditors	2,214	2	2,489	2
Other creditors, including taxation and social security	413	49	675	300
Corporation tax	247	-	214	-
Accruals and deferred income	127	-	133	-
	<u>3,156</u>	<u>51</u>	<u>4,429</u>	<u>302</u>

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Bank and other loans	6,669	6,500	6,744	6,500
Amounts owed to group undertakings	-	7,016	-	7,108
	<u>6,669</u>	<u>13,516</u>	<u>6,744</u>	<u>13,608</u>
<i>Maturity of bank and other loans</i>				
Within one year	75	-	75	-
Between one and two years	75	-	75	-
Between two and five years	6,594	6,500	6,669	6,500
	<u>6,744</u>	<u>6,500</u>	<u>6,819</u>	<u>6,500</u>

Bank and other loans consist of two loans

- 1 The subordinated loan of £6,500,000 (2009 £6,500,000) is repayable in instalments by agreement between the company and the loan note holder, bearing interest at commercial rates, being bank base rate plus 2.5% per annum
- 2 The mortgage loan of £244,000 (2009 £319,000) is repayable by quarterly instalments ending in March 2014, bearing interest at commercial rates, being bank base rate plus 1.7% per annum

The bank loans are secured on the assets of the Group

16 Provisions for liabilities

	Deferred tax £'000
<i>Group</i>	
At 1 January 2010	261
Credit for the year	(24)
At 31 December 2010	<u>237</u>

The amounts of deferred taxation provided in the financial statements are as follows

	2010 £'000	2009 £'000
Accelerated capital allowances	249	261
Short-term timing differences	(12)	-
	<u>237</u>	<u>261</u>

Notes (continued)

17 Called up share capital

	2010 £	2009 £
Authorised		
65,001 "A" ordinary shares of £1 each	65,001	65,001
34,999 "B" ordinary shares of £1 each	34,999	34,999
	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid		
65,001 "A" ordinary shares of £1 each	65,001	65,001
34,999 "B" ordinary shares of £1 each	34,999	34,999
	<u>100,000</u>	<u>100,000</u>

The rights attached to the "A" and "B" ordinary shares rank pari passu in all respects except in circumstances where certain conditions with regards to the financial performance of the company have not been met or the holders of the "B" ordinary shares are in material breach of the agreement between the shareholders of the company, when the holders of the "A" ordinary shares can exercise any and all rights including any voting rights attached to the "B" ordinary shares. In addition, if the holders of "A" ordinary shares wish to transfer their shares in the company to a third party, then the holders of such "A" ordinary shares have the option to require the holders of "B" ordinary shares to transfer all their shares in the company on the same terms to the same third party.

18 Capital commitments

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Amounts contracted for, but not provided	-	-	-	-

19 Contingent liabilities

Under group banking arrangements, the company has given guarantees, together with certain other group companies, in respect of bank loans and short-term bank borrowings of other group companies which, at 31 December 2010, amounted to £324,000 (2009 £1,182,000)

20 Pensions

The group operates a defined contribution pension scheme through Friends Provident. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £119,000 (2009 £121,000)

An amount of £Nil (2009 £Nil) in pension contributions was outstanding at the year-end

Notes (continued)

21 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	1,008	504
Goodwill amortisation	333	333
Depreciation	514	616
(Profit)/loss on sale of tangible fixed assets	(1)	14
Decrease in stocks	208	390
(Increase)/decrease in debtors	(51)	352
Decrease in creditors	(292)	(893)
Release of other income	-	(15)
Net cash inflow from operating activities	1,719	1,301

22 Analysis of net debt

	At 1 January 2010 £'000	Net cash flows £'000	Other non- cash changes £'000	At 31 December 2010 £'000
Cash at bank and in hand	95	(28)	-	67
Bank overdrafts	(843)	763	-	(80)
	(748)	735	-	(13)
Debt due within one year	(75)	-	-	(75)
Debt due after one year	(6,744)	75	-	(6,669)
	(6,819)	75	-	(6,744)
	(7,567)	810	-	(6,757)

23 Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
Increase in cash in the year	735	59
Cash outflow from decrease in debt	75	316
Change in net debt resulting from cash flows	810	375
Amortisation of issue costs (non-cash)	-	(4)
Foreign exchange	-	13
Net debt at start of the year	(7,567)	(7,951)
Net debt at end of the year	(6,757)	(7,567)

Notes *(continued)*

24 Related party transactions

Included within bank and other loans is £6,500,000 (2009 £6,500,000) payable to Lloyds Development Capital, a related party by way of share ownership. Further detail is provided in note 15.

25 Ultimate parent undertaking and controlling party

Alupack Holdings Limited is the parent company of the smallest and largest group which prepares group financial statements. The directors consider there to be no ultimate controlling party.