

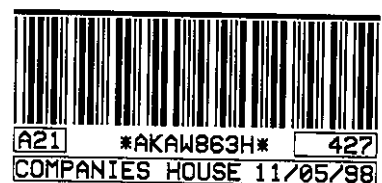
**Contico International, Inc.  
and Subsidiaries**

**Company Number : FC16991**

Sent 5/5/98  
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**Consolidated Financial Statements**

**As at 31 May 1997**



**Contico International, Inc.  
and Subsidiaries  
Consolidated Balance Sheet  
31 May 1996 and 31 May 1997  
(In thousands, except share data)**

**Assets**

	1997	1996
	\$	\$
<b>Current Assets :</b>		
Cash	698	1325
Receivables, less reserves of \$422 and \$433	39,912	38,434
Inventories	46,512	43,496
Other current assets	<u>2,164</u>	<u>3,514</u>
<b>Total current assets</b>	89,286	86,769
<b>Property, Plant and Equipment</b>	134,373	120,370
<b>Investment in joint ventures</b>	2,622	1,705
<b>Other assets</b>	<u>1,934</u>	<u>3,225</u>
<b>Total Assets</b>	<u><u>228,215</u></u>	<u><u>212,069</u></u>

**Liabilities and Stockholders' Equity**

	1997	1996
	\$	\$
<b>Current Liabilities :</b>		
Current maturities of long-term debt	1,204	1,227
Notes payable	18,080	13,950
Accounts payable	21,130	25,211
Accrued expenses	<u>14,860</u>	<u>14,630</u>
<b>Total current liabilities</b>	55,274	55,018
<b>Other liabilities</b>	1,272	1,498
<b>Long-term debt</b>	82,184	62,855
<b>Subordinated debt</b>	<u>15,000</u>	<u>15,000</u>
<b>Total liabilities</b>	<u><u>153,730</u></u>	<u><u>134,371</u></u>
<b>Stockholders' Equity</b>		
Common stock, \$0.01 par value, authorised 2,000,000 shares outstanding 1,700,760 shares	17	17
Paid-in surplus	1,315	1,315
Retained earnings	73,534	76,763
Cumulative translation adjustment	<u>(381)</u>	<u>(397)</u>
<b>Total stockholders' equity</b>	<u><u>74,485</u></u>	<u><u>77,698</u></u>
<b>Total liabilities and stockholders' equity</b>	<u><u>228,215</u></u>	<u><u>212,069</u></u>

The accompanying notes are an integral part of this balance sheet

**Contico International, Inc.  
and Subsidiaries  
Consolidated Balance Sheet  
31 May 1996 and 31 May 1997**  
(In thousands, except share data)

	1997 \$	1996 \$
<b>Gross Profit</b>	74,832	82,873
<b>Operating expenses :</b>		
Selling and distribution	41,401	38,624
Administrative	<u>13,699</u>	<u>13,751</u>
	<u>55,100</u>	<u>52,375</u>
<b>Income from operations</b>	<u>19,732</u>	<u>30,498</u>
<b>Other expense (Income) :</b>		
Interest expense	8,959	9,282
Other, net	<u>(125)</u>	<u>245</u>
	<u>8,834</u>	<u>9,527</u>
<b>Income before income taxes</b>	10,898	20,971
<b>Provision for Income taxes</b>	<u>54</u>	<u>311</u>
<b>Net Income</b>	<u><u>10,844</u></u>	<u><u>20,660</u></u>

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**Contico International, Inc.**  
**and Subsidiaries**  
**Consolidated Balance Sheet**  
**31 May 1996 and 31 May 1997**  
(In thousands, except share data)

	Common stock \$	Paid-in surplus \$	Retained Earnings \$	Cumulative Translation Adjustment \$	Total \$
Balance at 31 May 1996	17	1,315	76,763	(397)	77,698
Net Income	-	-	10,844	-	10,844
Dividends	-	-	(14,073)	-	(14,073)
Translation adjustment	-	-	-	16	16
Balance at 31 May 1997	<u>17</u>	<u>1,315</u>	<u>73,534</u>	<u>(381)</u>	<u>74,485</u>

**Contico International, Inc.**  
**and Subsidiaries**  
**Consolidated Balance Sheet**  
**31 May 1996 and 31 May 1997**  
(In thousands, except share data)

	1997 \$	1996 \$
<b>Cash Flows From Operating Activities :</b>		
Net Income	10,844	20,660
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	22,426	19,580
Net loss on disposal of assets	479	394
Decrease in S corporation deposit	-	3,372
(Increase)/decrease in :		
Receivables, less reserves	(1,478)	(5,908)
Inventories	(3,016)	5,109
Increase/(decrease) in :		
Accounts payable	(4,081)	1,813
Accrued expenses	230	(322)
Other, net	2,664	5,418
<b>Net Cash provided by operating activities</b>	<u>28,068</u>	<u>50,116</u>
<b>Cash flows from Investing Activities</b>		
Purchase of property, plant and equipment	(36,803)	(19,110)
Investment in joint venture	(1,000)	-
Proceeds from disposal of assets	276	835
<b>Net cash used in investing activities</b>	<u>(37,527)</u>	<u>(18,275)</u>
<b>Cash flows from Financing Activities</b>		
Borrowings under long-term debt agreements	20,600	-
Principal payments on long-term and subordinated debt	(1,295)	(27,840)
Borrowings/(Repayments) under line of credit agreements	3,680	(2,093)
Payment of dividends	(14,073)	(1,000)
Payment of deferred financing fees	(80)	(66)
<b>Net cash (used in) provided by financing activities</b>	<u>8,832</u>	<u>(30,999)</u>
<b>(Decrease)/Increase in cash</b>	(627)	842
<b>Cash at beginning of year</b>	<u>1,325</u>	<u>483</u>
<b>Cash at end of year</b>	<u>698</u>	<u>1,325</u>
<b>Cash interest paid</b>	<u>8,609</u>	<u>9,043</u>
<b>Cash taxes paid</b>	<u>24</u>	<u>156</u>

The accompanying notes are an integral part of this balance sheet

**Contico International, Inc.**  
**and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the year ended 31 May 1997**  
**Dollars in thousands**

**1 Summary of Significant Accounting Policies:**

**Principles of Consolidation**

The accounts of all foreign subsidiaries (Subsidiaries) and the domestic and foreign divisions are included in the consolidated financial statements of Contico International, Inc. and subsidiaries (the Company). The Company's investment in Joint Venture is accounted for under the equity method of accounting. All Subsidiaries are 75% owned by the Company. Minority interest in Subsidiaries represents the minority stockholder's proportionate (25%) share of Subsidiaries' equity and retained earnings. The minority interest in Subsidiaries at 31 May 1997 and 1996 is held by the Company's Chairman of the Board. All significant intercompany accounts and transactions have been eliminated.

**Business**

The Company is engaged principally in the design, manufacturing and marketing of a broad range of molded plastic products for consumer and industrial use. The Company's markets are predominately located in North America and the United Kingdom.

**Inventories**

Inventories are stated at the lower of cost (primarily using the last-in, first-out method) or market. If the company had used the first-in, first-out method of computing inventory costs, inventories would have been \$6,500, \$5,400 and \$17,700 higher than reported at 31 May 1997, 1996 and 1995 respectively.

**Property, Plant and Equipment**

Property, plant and equipment is stated at cost and depreciated over estimated useful lives ranging from 5 to 40 years, using the straight-line method for financial statement purposes. Additions, betterments and replacements are capitalised, while expenditures for repairs and maintenance are charged against income.

As units of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognised.

**Income Taxes**

The company has elected to be taxed as an S corporation for federal and state tax purposes. Accordingly, the Company is not taxed on its income except for a California state tax, a Texas state tax and taxes provided for foreign subsidiaries and divisions. The stockholders of the Company are otherwise responsible for the payment of income taxes on their share of the Company's income.

**Translation of Foreign Currencies**

Assets and liabilities of foreign divisions and subsidiaries are translated into U.S. dollars at current exchange rates, and profit and loss accounts are translated at average annual exchange rates. Resulting translation gains and losses are included as a separate components in stockholders' equity. Foreign exchange transaction gains and losses are included in the results of operations. Such amounts for the years presented were insignificant.

**Contico International, Inc.**  
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**Notes to Consolidated Financial Statements**  
**For the year ended 31 May 1996**  
Dollars in thousands

<b>2 Profit for the Year</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>
<b>The profit for the year is stated after charging :-</b>		
Depreciation	22,426	19,580
Auditor's Remuneration	141	132
	<u>          </u>	<u>          </u>
<b>3 Inventories</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>
<b>Inventories consist of the following:</b>		
Raw material and parts	17,679	22,776
Work-in progress	3,231	1,396
Finished goods	32,102	24,724
	<u>53,012</u>	<u>48,896</u>
<b>Less : LIFO reserve</b>	<u>6,500</u>	<u>5,400</u>
	<u>46,512</u>	<u>43,496</u>
 <b>4 Property, Plant and Equipment</b>	 <b>1997</b>	 <b>1996</b>
	<b>\$</b>	<b>\$</b>
<b>Property, plant and equipment consists of the following:</b>		
Land and buildings	50,181	44,208
Machinery and equipment	125,246	115,901
Molds, dies and tooling	83,563	66,485
Office equipment	7,759	6,378
Construction in progress	2,305	2,719
	<u>269,054</u>	<u>235,691</u>
 <b>Less : Accumulated depreciation</b>	 <u>134,681</u>	 <u>115,321</u>
	<u>134,373</u>	<u>120,370</u>

**5 Leases**

The Company conducts a portion of its operations from facilities leased under operating leases. Future minimum rent payments under existing non-cancelable operating leases at 31 May 1997 are as follows:-

<b>Fiscal Year :</b>	<b>\$</b>
1998	2,038
1999	1,891
2000	1,876
2001	1,639
2002	1,536
Later years	<u>10,841</u>
	<u>19,821</u>

**Contico International, Inc.**  
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**Notes to Consolidated Financial Statements**  
**For the year ended 31 May 1997**  
Dollars in thousands

Operating lease rentals expense for the years ended 31 May 1997 and 1996 amounted to \$2,610 and \$2,526 respectively.

**6 Notes Payable**

Included under notes payable are loans of \$18,080 and \$13,950 outstanding at 31 May 1997 and 1996 respectively, which are secured by a charge over the assets of the company.

**7 Long Term Debt**

Maturities on long-term debt at 31 May 1997 are as follows:

Fiscal Year :	\$
1998	1,204
1999	65,130
2000	1,210
2001	1,297
2002	1,391
Later years	<u>13,156</u>
	<u><u>83,388</u></u>

Included in long term debt are loans of \$82,184 and \$62,855 outstanding at 31 May 1997 and 1996 respectively. Of this \$2,915 at 31 May 1997 and \$3,435 at 31 May 1996 are payable semi-annually to 2010. The balance being payable in instalments to 2008. The rates of interest vary from 5.4% to 6.2%. The loans are secured by plant and equipment, Deeds of Trust, Security Arrangements, irrevocable letters of credit and other assets of the company.

**8 Subordinated Debt**

1997	1996
\$	\$

**Subordinated notes payable consist of the following:**

Subordinated notes payable, 12% due annually 1993-2003	15,000	15,000
Subordinated notes payable, 10%	<u>-</u>	<u>-</u>
	15,000	15,000
<b>Less : Current maturities</b>	<u>-</u>	<u>-</u>
	<u><u>15,000</u></u>	<u><u>15,000</u></u>

**9 Retirement Benefits**

Certain of the Company's employees are covered by a union sponsored, multi-employer defined contribution pension plan pursuant to a collective bargaining agreement. The company incurred expenses of \$353 and \$345 for the years ended 31 May 1997 and 1996, respectively for contributions to the plan.



**Contico International, Inc.**  
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**For the year ended 31 May 1997**  
**Dollars in thousands**

**10 Commitments and Contingencies**

The Company is involved in various litigation matters in the ordinary course of business. In the opinion of management, settlement of these and other contingent matters will not have a material effect on the Company's financial position or results of operations.

**12 Subsequent Events**

In June 1997, the Company announced that it will seek qualified buyers for its liquid dispensing business activities. In the event that a transaction is completed, the Company expects to use the proceeds to reduce its long-term debt and to fund dividends to stockholders of the Company. Net sales of the business activities being offered were approximately \$60 million and \$55 million for the years ended 31 May 1997 and 1996 respectively.