ANDERSEN

Teich Flexible Packaging Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 36390

Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2001.

Principal activity

The principal activity of the business is the manufacture of high grade flexible packaging materials for the food, toiletries, healthcare and industrial markets.

Business review

The UK market continued to be extremely competitive in 2001, resulting in over capacity and an increase in imports.

The turnover for the year at £10,374,260 (2000 - £10,157,909) was consistent with the previous year.

Details of significant events since the balance sheet date are contained in note 19 to the financial statements.

Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 6 to 17. The loss for the financial year after taxation was £2,350,785 (2000 – loss as restated of £2,843,286).

No dividend can be paid (2000 - £Nil).

Directors and their interests

The directors who served during the year, were as follows:

T Findlay
J R Moore

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Fixed assets

In the opinion of the directors, there is no material difference between the book and the current open market value of interests in land and buildings.

Research and development

The directors consider that product development and innovation play an important role in the company's future and, accordingly, they continue to further the company's research and development programme.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Nottingham Road
Spondon
Derby
DE21 7GY

By order of the Board

J R Moore

Director & Secretary

9 July 2002

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 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; and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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To the shareholders of Teich Flexible Packaging Limited:

We have audited the financial statements of Teich Flexible Packaging Limited for the year ended 31 December 2001 which comprise the Profit and loss account, the Balance sheet and the related Notes numbered 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. *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 transaction 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 misstatements 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 circumstances of the company, 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 affairs of the company at 31 December 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ

9 July 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 as restated £
Turnover	1	10,374,260	10,157,909
Cost of sales		(11,170,419)	(10,957,486)
Gross loss		(796,159)	(799,577)
Other operating expenses (net)	2	(1,410,792)	(2,191,363)
Operating loss		(2,206,951)	(2,990,940)
Interest receivable and similar income	3	10,398	7,494
Interest payable and similar charges	4	(154,232)	(172,048)
Loss on ordinary activities before taxation	5	(2,350,785)	(3,155,494)
Tax on loss on ordinary activities	7	-	312,208
Loss on ordinary activities after taxation, being retained loss for the year		(2,350,785)	(2,843,286)

All of the above results derive from continuing activities.

There were no recognised gains or losses in either year other than the loss for the year.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	9	7,928,891	9,040,307
Current assets			
Stocks	10	1,431,561	1,387,506
Debtors	11	25,000	25,000
		1,456,561	1,412,506
Creditors: Amounts falling due within one year	12	(11,455,333)	(10,171,909)
Net current liabilities		(9,998,772)	(8,759,403)
Net (liabilities) assets		(2,069,881)	280,904
Capital and reserves			
Called-up share capital	13	4,240,701	4,240,701
Profit and loss account	14	(6,310,582)	(3,959,797)
Equity shareholders' (deficit) funds	15	(2,069,881)	280,904

The financial statements on pages 6 to 17 were approved by the board of directors on 9 July 2002 and signed on its behalf by:

T Findlay Director

J R Moore Director

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the adoption of FRS 19 "Deferred tax", the details of which are described below. The resulting prior year adjustment is explained in note 8.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The company has net current liabilities and is loss making. The directors consider that it is appropriate to prepare the financial statements on the going concern basis as the ultimate parent company has undertaken to provide financial support to enable the company to meet its liabilities as they fall due.

Stocks

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

Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Research and development

Expenditure on research and development is written off against profits in the period in which it is incurred.

Pension costs

As disclosed in note 16, the company operates a pension scheme called the Teich Flexibles Retirement Benefits Scheme that covers the majority of employees. This scheme is a defined benefit occupational pension scheme and the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost.

The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. The actuarial funding method used is the Projected Unit Method. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members.

The scheme is funded, with the assets of the scheme held separately from those of the company in a separate trustee administered fund. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, except freehold land and assets in the course of construction, at rates calculated to write off the cost of tangible fixed assets less estimated residual values of each asset, on a straight-line basis over its expected useful economic life, as follows:

Freehold buildings	50 years
Plant and equipment	2 – 15 years

Residual value is calculated on prices prevailing at the date of acquisition.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Statement of accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Cash flow statement

As permitted by FRS 1, the company has not prepared a cash flow statement as it is a wholly owned subsidiary undertaking of Constantia Verpackungen AG, which has produced publicly available consolidated accounts in which the results of this company are included.

1 Turnover

The geographical analysis of turnover by destination, derived from the company's continuing principal activity and originating wholly in the United Kingdom, is as follows:

	2001 £	2000 £
United Kingdom	5,627,528	4,955,383
Overseas	4,746,732	5,202,526
	10,374,260	10,157,909

2 Other operating expenses (net)

	2001 £	2000 £
Distribution costs	327,120	360,510
Administrative expenses	1,048,241	954,552
Other operating expenses (net)	35,431	876,301
	1,410,792	2,191,363

In 2000 other operating expenses (net) includes £1,071,089 in respect of exceptional reorganisation costs consisting mainly of staff redundancies.

3 Interest receivable and similar income

	2001 £	2000 £
Bank interest receivable	10,398	7,494

4 Interest payable and similar charges

	2001 £	2000 £
Bank loans and overdrafts	129,367	157,710
Interest payable to fellow group companies	24,865	14,338
	154,232	172,048

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Exceptional reorganisation costs	-	1,071,089
Depreciation and amounts written off tangible fixed assets	1,244,657	1,234,590
Operating lease rentals		
- plant and machinery	56,273	43,637
- other	33,807	31,275
Auditors' remuneration:		
- audit services	15,848	14,883
- non-audit services	5,450	7,701
Profit on disposals of fixed assets	(4,000)	(215,834)

6 Staff costs

The average monthly number of employees (including executive directors) during the year was:

	2001 Number	2000 Number
Production and administration	131	141

Their aggregate remuneration comprised:

	2001 £	2000 £
Wages and salaries	3,146,558	3,099,729
Social security costs	240,753	256,667
Other pension costs	215,942	223,080
	3,603,253	3,579,476

6 Staff costs (continued)

Directors' remuneration

The remuneration of the directors was as follows:

	2001 £	2000 £
Emoluments	103,407	103,008
	103,407	103,008

Pensions

The number of directors who were members of pension schemes was as follows:

	2001 Number	2000 Number
Defined benefit schemes	1	1

7 Tax on loss on ordinary activities

The tax credit comprises:

	2001 £	2000 as restated £
Deferred tax		
Origination and reversal of timing differences	-	312,208

Due to the loss making situation of the company, no corporation tax is payable in either year.

8 Prior year adjustment

The company policy for recognising deferred tax was changed during the year to adopt the policies of FRS 19. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2001 £	2000 £
Profit and loss account		
Tax on loss on ordinary activities	-	312,208
Decrease in loss for the financial year	-	312,208

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Total £
Cost			
At 31 December 2000	1,762,890	16,868,216	18,631,106
Additions	-	133,241	133,241
Disposals	-	(78,612)	(78,612)
At 31 December 2001	1,762,890	16,922,845	18,685,735
Depreciation			
At 31 December 2000	415,934	9,174,865	9,590,799
Charge for the year	30,494	1,214,163	1,244,657
Disposals	-	(78,612)	(78,612)
At 31 December 2001	446,428	10,310,416	10,756,844
Net book value			
At 31 December 2001	1,316,462	6,612,429	7,928,891
At 31 December 2000	1,346,956	7,693,351	9,040,307

The net book value of freehold land and buildings includes land of £280,000 (2000 - £280,000) which is not depreciated.

10 Stocks

	2001 £	2000 £
Raw materials and consumables	363,333	498,285
Work in progress	227,451	271,622
Finished goods and goods for resale	840,777	617,599
	1,431,561	1,387,506

There is no material difference between the balance sheet value of stocks and their replacement cost.

11 Debtors

	2001	2000
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	25,000	25,000

12 Creditors: Amounts falling due within one year

	2001	2000
	£	£
Amounts owed to group undertakings	11,241,480	9,964,338
Other taxation and social security	148,887	149,858
Other creditors	64,966	57,713
	11,455,333	10,171,909

The ultimate parent company has undertaken not to require repayment of the above balance and to continue to provide the company with sufficient financial support to meet its liabilities as they fall due for the foreseeable future.

13 Called-up share capital

	2001	2000
	£	£
Authorised:		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called-up and fully-paid:		
4,240,701 ordinary shares of £1 each	4,240,701	4,240,701

14 Reserves

	Profit and loss account £
At 31 December 2000	(3,959,797)
Retained loss for the financial year	(2,350,785)
At 31 December 2001	(6,310,582)

15 Reconciliation of movements in shareholders' (deficit) funds

	2001	2000 as restated
	£	£
Loss for the financial year	(2,350,785)	(2,843,286)
Opening shareholders' funds as previously stated	280,904	3,436,398
Prior year adjustment	-	(312,208)
Opening shareholders' funds as restated	280,904	3,124,190
Closing shareholders' (deficit) funds	(2,069,881)	280,904

16 Pension arrangements

The company offers pension arrangements to all full time employees through the Teich Flexibles Retirement Benefits Scheme. The scheme is a defined benefit occupational pension scheme with assets held in separate trustee administered funds. The related costs of the scheme are assessed in accordance with the advice of professionally qualified actuaries.

Details of the most recent actuarial valuation of the scheme, which was conducted as at 1 April 1999 using an ongoing valuation basis, were as follows:

	% per annum
– expected future investment return	7.75
– expected future salary increases	5.5
– expected future LPI pension increases	3.25

The pension cost charge for the period for the scheme was £208,240 (2000 - £223,080) which is also the amount contributed by the company.

Additional disclosures regarding the group defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits". In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the parent company, shows a deficit of £775,000. Further details of this valuation can be found in the annual report of the parent company, Teich Flexibles (UK) Limited.

17 Financial commitments

There were no capital commitments at the end of either year.

Annual commitments under non-cancellable operating leases (none of which relate to land and buildings) are as follows:

	2001	2000
	£	£
Expiry date:		
- within one year	20,700	10,781
- between two and five years	62,753	13,184
	83,453	23,965

18 Contingent liabilities

A claim has been lodged by the customer UCB Films plc against the group. The claim calls for rectification and compensation for alleged damage to the customer's business. The directors are confident that the full claim is covered by insurance and thus will result in no liability to the group.

19 Subsequent events

Since the year end, Teich AG, the immediate parent company of the UK group headed by Constantia (UK) Limited, has entered into negotiations with Danapak AS, a company incorporated in Denmark, to form a Joint Venture of which Constantia (UK) Limited would be a part. These negotiations will require approval by the ultimate parent company and by the EU Commission.

20 Ultimate controlling party and parent undertaking

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which this company is a member is Teich Flexibles (UK) Limited which is incorporated in England and Wales. Copies of these financial statements can be obtained from Nottingham Road, Spondon, Derby DE21 7GY.

The ultimate controlling party and parent undertaking of the largest group for which group financial statements are drawn up and of which this company is a member is Constantia Verpackungen AG, which is incorporated in Austria. Copies of these financial statements can be obtained from A-1010 Wien, Opernring 19, Austria.

21 Related party transactions

As a subsidiary undertaking of Constantia Verpackungen AG, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Constantia Verpackungen AG.