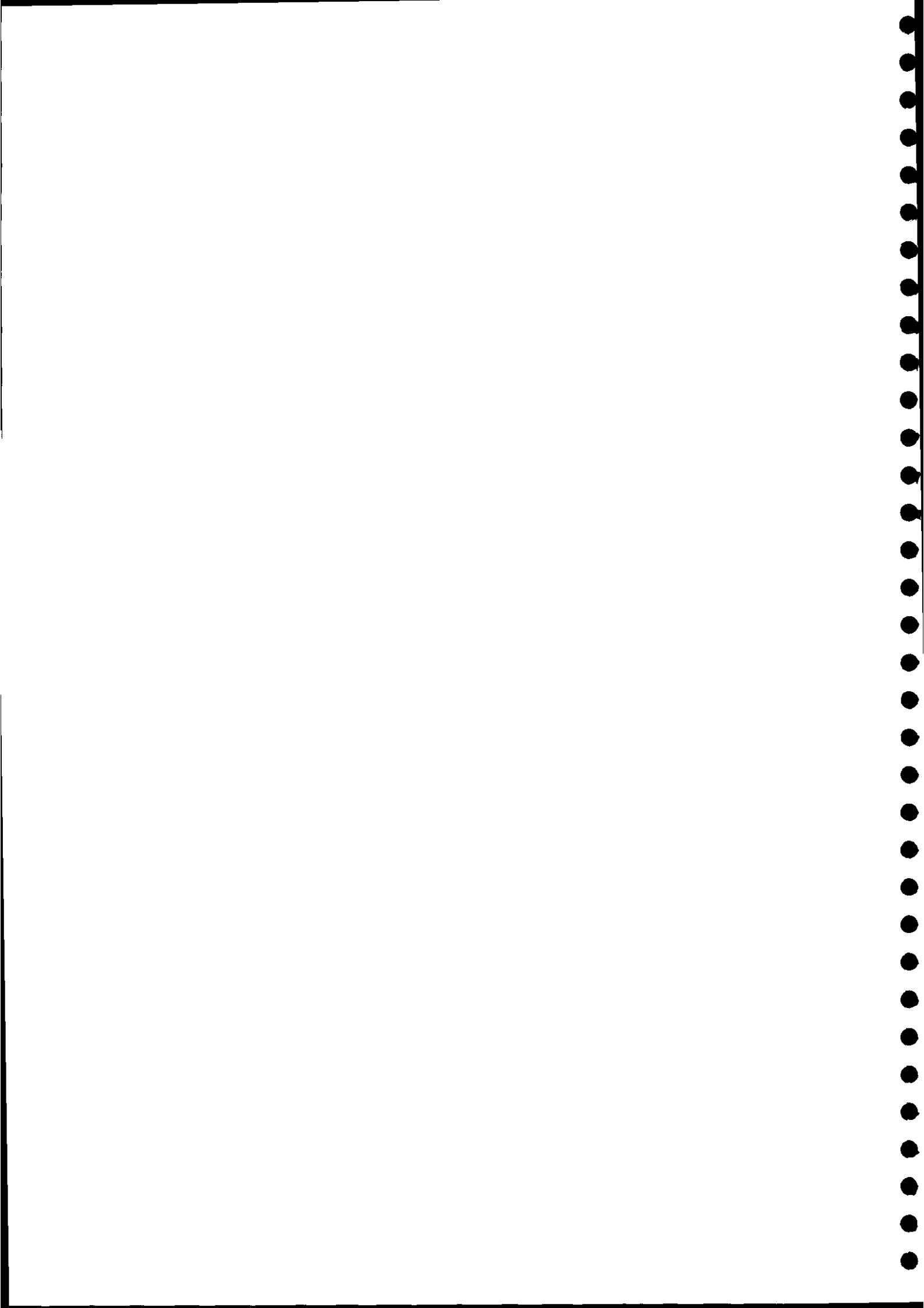


Teich Flexible Packaging Limited

Accounts 31 December 1999
together with directors' and auditors' reports

Registered number: 36390





Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 1999.

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.

During the year the continued strength of sterling, customer consolidation and retailer pressures caused activity among competitors to intensify further. Volumes increased but at significantly lower prices and productivity improvements, whilst considerable in some areas, did not keep pace in overall terms.

Cost reduction and productivity improvement activities have been intensified. These measures, together with increased focus on core product growth and the exploitation of group marketing and purchasing synergies, should deliver improved profitability.

Results and dividends

The audited accounts for the year ended 31 December 1999 are set out on pages 4 to 14. The loss for the financial year after taxation was £1,631,132 (1998 – loss of £844,671).

The directors do not propose a dividend for the year (1998 - £Nil).

Directors and their interests

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

T Findlay (appointed 6 December 1999)

J R Moore

A R Bateman (resigned 31 January 1999)

O Mannertorp (resigned 31 December 1999)

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

Year 2000

The company recognised the century date change issue, and established comprehensive plans to deal with all of the issues involved. To date, no significant issues have been identified, and progress will continue to be monitored throughout the year.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts 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.

Research and development

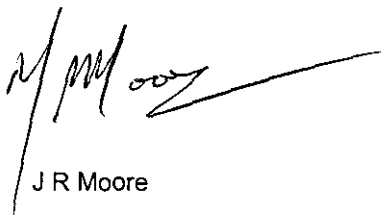
The directors consider that product development and innovation play an important role in the company's future and, accordingly, they continue to further the company's research and development programme.

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

31 May 2000

To the Shareholders of Teich Flexible Packaging Limited:

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1999 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

Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

31 May 2000

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	12,696,849	14,024,347
Cost of sales		(12,515,851)	(13,369,208)
Gross profit		180,998	655,139
Other operating expenses (net)	3	(1,746,913)	(1,484,874)
Operating loss		(1,565,915)	(829,735)
Interest receivable and similar income	4	10,335	17,539
Interest payable and similar charges	5	(75,552)	(32,475)
Loss on ordinary activities before and after taxation, being retained loss for the year	6	(1,631,132)	(844,671)

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 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	9	9,858,408	9,303,968
Current assets			
Stocks	10	2,024,942	1,655,219
Debtors	11	25,000	25,000
		2,049,942	1,680,219
Creditors: Amounts falling due within one year	12	(8,471,952)	(5,916,657)
Net current liabilities		(6,422,010)	(4,236,438)
Net assets		3,436,398	5,067,530
Capital and reserves			
Called-up share capital	14	4,240,701	4,240,701
Profit and loss account	15	(804,303)	826,829
Equity shareholders' funds	16	3,436,398	5,067,530

The accounts on pages 4 to 14 were approved by the board of directors on 31 May 2000 and signed on its behalf by:

T Findlay

Director

J R Moore

Director

31 May 2000

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

Notes to accounts

31 December 1999

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

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

b) 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.

c) Research and development

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

d) Pension costs

As disclosed in note 17, 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.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value.

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

f) *Taxation*

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

g) *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.

h) *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.

i) *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.

j) *Cash flow statement*

As permitted by Financial Reporting Standard Number 1 (Revised), 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.

Notes to accounts (continued)

2 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:

	1999 £	1998 £
United Kingdom	6,757,582	8,196,203
Overseas	5,939,267	5,828,144
	<u>12,696,849</u>	<u>14,024,347</u>

3 Other operating expenses (net)

	1999 £	1998 £
Distribution costs	463,914	390,212
Administrative expenses	1,151,591	1,043,859
Other operating expenses	131,408	50,803
	<u>1,746,913</u>	<u>1,484,874</u>

4 Interest receivable and similar income

	1999 £	1998 £
Bank interest receivable	<u>(10,335)</u>	<u>(17,539)</u>

5 Interest payable and similar charges

	1999 £	1998 £
Bank loans and overdrafts	<u>75,552</u>	<u>32,475</u>

Notes to accounts (continued)

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Depreciation and amounts written off tangible fixed assets	1,180,662	1,128,854
Operating lease rentals – plant and equipment	64,727	65,494
Auditors' remuneration:		
- audit services	16,381	14,188
- non-audit services	8,788	7,421
	<u>8,788</u>	<u>7,421</u>

7 Staff costs

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

	1999 Number	1998 Number
Production and administration	<u>162</u>	<u>154</u>

Their aggregate remuneration comprised:

	1999 £	1998 £
Wages and salaries	3,983,549	3,897,179
Social security costs	326,965	293,957
Other pension costs	263,964	242,431
	<u>4,574,478</u>	<u>4,433,567</u>

Directors' remuneration

The remuneration of the directors was as follows:

	1999 £	1998 £
Emoluments	110,078	192,641
Fees to third parties in respect of directors' services	-	36,080
	<u>110,078</u>	<u>228,721</u>

Notes to accounts (continued)

7 Staff costs (continued)

Directors' pensions

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

	1999 Number	1998 Number
Defined benefit schemes	<u>3</u>	<u>6</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £	1998 £
Emoluments	<u>70,426</u>	<u>55,186</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 1999 was £2,599 (1998 - £836).

8 Tax on loss on ordinary activities

Had the company provided for deferred taxation in full, the charge for the year would have been lower by £1,121,073 (1998 - higher by £658,887).

Notes to accounts (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Assets in the course of construction £	Plant and equipment £	Total £
Cost				
At 1 January 1999	1,771,190	728,358	14,173,110	16,672,658
Additions	-	-	1,735,102	1,735,102
Disposals	-	-	(76,976)	(76,976)
Transfers	-	(728,358)	728,358	-
At 31 December 1999	1,771,190	-	16,559,594	18,330,784
Depreciation				
At 1 January 1999	355,439	-	7,013,251	7,368,690
Charge for the year	30,165	-	1,150,497	1,180,662
Disposals	-	-	(76,976)	(76,976)
At 31 December 1999	385,604	-	8,086,772	8,472,376
Net book value				
At 31 December 1999	1,385,586	-	8,472,822	9,858,408
At 31 December 1998	1,415,751	728,358	7,159,859	9,303,968

The net book value of freehold land and buildings includes land of £300,000 (1998 - £300,000) which is not depreciated.

10 Stocks

	1999 £	1998 £
Raw materials and consumables	787,622	546,503
Work in progress	505,561	256,147
Finished goods and goods for resale	731,759	852,569
	<u>2,024,942</u>	<u>1,655,219</u>

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

11 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>25,000</u>	<u>25,000</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	1999 £	1998 £
Amounts owed to group undertakings	8,163,540	5,364,736
Social security and other taxes	226,520	171,856
Other creditors	81,892	380,065
	<u>8,471,952</u>	<u>5,916,657</u>

13 Provisions for liabilities and charges

	Accelerated capital allowances £	Other timing differences £	Total £
Deferred taxation:			
On full deferral basis:			
At 31 December 1998	<u>1,835,372</u>	<u>(302,317)</u>	<u>1,533,055</u>
At 31 December 1999	<u>1,376,682</u>	<u>(964,700)</u>	<u>411,982</u>
Amount provided:			
At 31 December 1999 and 31 December 1998	<u>-</u>	<u>-</u>	<u>-</u>

14 Called-up share capital

	1999 £	1998 £
<i>Authorised:</i>		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
<i>Allotted, called-up and fully-paid:</i>		
4,240,701 ordinary shares of £1 each	<u>4,240,701</u>	<u>4,240,701</u>

15 Reserves

	Profit and loss account £
At 1 January 1999	826,829
Retained loss for the financial year	<u>(1,631,132)</u>
At 31 December 1999	<u>(804,303)</u>

Notes to accounts (continued)

16 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(1,631,132)	(844,671)
Opening shareholders' funds	5,067,530	5,912,201
Closing shareholders' funds	<u>3,436,398</u>	<u>5,067,530</u>

17 Pension arrangements

The company provides pension arrangements to the majority of 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.

The Teich Flexibles Retirement Benefits Scheme commenced on 1 August 1998. Before this date pension provision was provided via the Low & Bonar Group Retirement Benefit Scheme and the Low & Bonar Pension Scheme (1986). Participation in these schemes ceased upon the commencement of the Teich Flexibles Retirement Benefits Scheme. Independent actuarial valuations of the Teich scheme will be carried out triennially. The initial formal actuarial valuation of the scheme will be completed during 2000. A bulk transfer of funds has taken place in respect of the scheme members' past service benefits in the Low & Bonar schemes, and the amount received on 23 April 1999 was £13,519,198.

The actuary to the Teich Flexibles Retirement Benefits Scheme has confirmed that from inception the assets of the fund adequately covered the liabilities. Indeed by definition, on the actuarial basis underlying the bulk transfer calculation, the past service benefits are 100% funded. Since inception contributions have been paid to the scheme in accordance with the actuary's recommendations.

For information the following assumptions are used in the bulk transfer actuarial basis:

	% per annum
– expected future investment return	9.0
– expected future salary increases	7.0
– expected future LPI pension increases	4.5

The pension cost charge for the period for both the Low & Bonar Schemes and the new scheme was £263,964 (1998 - £242,431) which is also the amount contributed by the company.

Notes to accounts (continued)

18 Financial commitments

a) Capital commitments

	1999 £	1998 £
Contracted but not provided for	-	595,270

b) Operating lease commitments

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

	1999 £	1998 £
Expiry date:		
- within one year	4,134	23,968
- between two and five years	16,927	21,963
	<u>21,061</u>	<u>45,931</u>

19 Ultimate parent undertaking and controlling party

The parent undertaking of the smallest group of undertakings for which group accounts 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 accounts can be obtained from Nottingham Road, Spondon, Derby DE21 7GY.

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

20 Related party transactions

The company has taken advantage of the exemption within Financial Reporting Standard Number 8, which does not require disclosure of transactions between a subsidiary undertaking and other group undertakings, as more than 90% of the company's voting rights are controlled within the group.