



Teich Flexible Packaging Limited

Annual report and accounts
for the year ended 31 December 2000

Registered number: 36390



Directors' report

For the year ended 31 December 2000

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 2000.

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 due to the high exchange rate of the GBP against the Euro, resulting in over capacity and an increase in imports.

Sales in 2000 were impacted by business lost in 1999 which was only partially offset by the new business gained in the year as a result of measures taken to strengthen the sales force.

An extensive cost reduction and restructuring programme has been completed to ensure a significantly lower breakeven point whilst at the same time measures have also been implemented to raise levels of productivity and flexibility.

The business now has a more encouraging pipeline of new business developments, largely with major multinationals and this is further strengthened by much closer sales and development co-operation across the whole Constantia group.

Results and dividends

The audited accounts for the year ended 31 December 2000 are set out on pages 5 to 15. The loss for the financial year after taxation was £3,155,494 (1999 – loss of £1,631,132).

The directors do not propose a dividend for the year (1999 - £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.

Directors' report (continued)

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.

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; and
- 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.

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

11 September 2001

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 2000 which comprise the Profit and Loss Account, the Balance Sheet and the related Notes numbered 1 to 20. 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 the 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 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 presentation of information in the financial statements.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2000 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Arthur Andersen". The signature is written in a cursive, flowing style.

Arthur Andersen

Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ

11 September 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	1	10,157,909	12,696,849
Cost of sales		(10,957,486)	(12,515,851)
Gross (loss)/profit		(799,577)	180,998
Other operating expenses (net)	2	(2,191,363)	(1,746,913)
Operating loss		(2,990,940)	(1,565,915)
Interest receivable and similar income	3	7,494	10,335
Interest payable and similar charges	4	(172,048)	(75,552)
Loss on ordinary activities before and after taxation, being retained loss for the year	5	(3,155,494)	(1,631,132)

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.

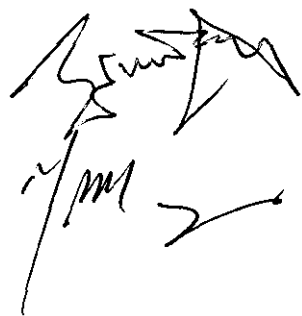
The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	8	9,040,307	9,858,408
Current assets			
Stocks	9	1,387,506	2,024,942
Debtors	10	25,000	25,000
		1,412,506	2,049,942
Creditors: Amounts falling due within one year	11	(10,171,909)	(8,471,952)
Net current liabilities		(8,759,403)	(6,422,010)
Net assets		280,904	3,436,398
Capital and reserves			
Called-up share capital	13	4,240,701	4,240,701
Profit and loss account	14	(3,959,797)	(804,303)
Equity shareholders' funds	15	280,904	3,436,398

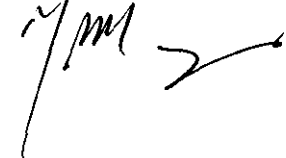
The accounts on pages 5 to 15 were approved by the board of directors on 11 September 2001 and signed on its behalf by:

T Findlay



Director

J R Moore



Director

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

Statement of accounting policies

31 December 2000

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

Basis of accounting

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

Going concern

The group has net current liabilities and is loss making. The directors consider that it is appropriate to prepare the accounts 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.

Statement of accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and 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 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.

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 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 the accounts

31 December 2000

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:

	2000 £	1999 £
United Kingdom	4,955,383	6,757,582
Overseas	5,202,526	5,939,267
	<u>10,157,909</u>	<u>12,696,849</u>

2 Other operating expenses (net)

	2000 £	1999 £
Distribution costs	360,510	463,914
Administrative expenses	954,552	1,151,591
Other operating expenses (net)	876,301	131,408
	<u>2,191,363</u>	<u>1,746,913</u>

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

	2000 £	1999 £
Bank interest receivable	<u>7,494</u>	<u>10,335</u>

4 Interest payable and similar charges

	2000 £	1999 £
Bank loans and overdrafts	<u>172,048</u>	<u>75,552</u>

Notes to the accounts (continued)

5 Loss on ordinary activities before and after taxation

Loss on ordinary activities before and after taxation is stated after charging:

	2000 £	1999 £
Exceptional reorganisation costs	1,071,089	-
Depreciation and amounts written off tangible fixed assets	1,234,590	1,180,662
Operating lease rentals – plant and equipment	31,275	64,727
Auditors' remuneration:		
- audit services	14,883	16,381
- non-audit services	7,701	8,788
	<u>7,701</u>	<u>8,788</u>

6 Staff costs

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

	2000 Number	1999 Number
Production and administration	<u>141</u>	<u>162</u>

Their aggregate remuneration comprised:

	2000 £	1999 £
Wages and salaries	3,099,729	3,983,549
Social security costs	256,667	326,965
Other pension costs	223,080	263,964
	<u>3,579,476</u>	<u>4,574,478</u>

Directors' remuneration

The remuneration of the directors was as follows:

	2000 £	1999 £
Emoluments	<u>103,008</u>	<u>110,078</u>
	<u>103,008</u>	<u>110,078</u>

Notes to the accounts (continued)

6 Staff costs (continued)

Pensions

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

	2000 Number	1999 Number
Defined benefit schemes	<u>1</u>	<u>3</u>

Highest paid director

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

	2000 £	1999 £
Emoluments	<u>74,618</u>	<u>70,426</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2000 was £Nil (1999 - £2,599).

7 Tax on loss on ordinary activities

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

Notes to the accounts (continued)

8 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Total £
Cost			
At 1 January 2000	1,771,190	16,559,594	18,330,784
Additions	11,700	424,789	436,489
Disposals	(20,000)	(116,167)	(136,167)
At 31 December 2000	<u>1,762,890</u>	<u>16,868,216</u>	<u>18,631,106</u>
Depreciation			
At 1 January 2000	385,604	8,086,772	8,472,376
Charge for the year	30,330	1,204,260	1,234,590
Disposals	-	(116,167)	(116,167)
At 31 December 2000	<u>415,934</u>	<u>9,174,865</u>	<u>9,590,799</u>
Net book value			
At 31 December 2000	<u>1,346,956</u>	<u>7,693,351</u>	<u>9,040,307</u>
At 31 December 1999	<u>1,385,586</u>	<u>8,472,822</u>	<u>9,858,408</u>

The net book value of freehold land and buildings includes land of £280,000 (1999 - £300,000) which is not depreciated.

9 Stocks

	2000 £	1999 £
Raw materials and consumables	498,285	787,622
Work in progress	271,622	505,561
Finished goods and goods for resale	617,599	731,759
	<u>1,387,506</u>	<u>2,024,942</u>

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

Notes to the accounts (continued)

10 Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>25,000</u>	<u>25,000</u>

11 Creditors: Amounts falling due within one year

	2000 £	1999 £
Amounts owed to group undertakings	9,964,338	8,163,540
Social security and other taxes	149,858	226,520
Other creditors	<u>57,713</u>	<u>81,892</u>
	<u>10,171,909</u>	<u>8,471,952</u>

12 Provisions for liabilities and charges

	Accelerated capital allowances £	Other timing differences £	Total £
Deferred taxation:			
On full recognition basis:			
At 31 December 1999	<u>1,376,682</u>	<u>(964,700)</u>	<u>411,982</u>
At 31 December 2000	<u>1,410,630</u>	<u>(1,865,072)</u>	<u>(454,442)</u>
Amount provided:			
At 31 December 2000 and 31 December 1999	<u>-</u>	<u>-</u>	<u>-</u>

13 Called-up share capital

	2000 £	1999 £
<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>

Notes to the accounts (continued)

14 Reserves

	Profit and loss account £
At 1 January 2000	(804,303)
Retained loss for the financial year	(3,155,494)
At 31 December 2000	<u>(3,959,797)</u>

15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Loss for the financial year	(3,155,494)	(1,631,132)
Opening shareholders' funds	<u>3,436,398</u>	<u>5,067,530</u>
Closing shareholders' funds	<u>280,904</u>	<u>3,436,398</u>

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 31 March 2000 using an ongoing valuation basis, were as follows:

	% 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 the scheme was £223,080 (1999 - £263,964) which is also the amount contributed by the company.

Notes to the accounts (continued)

17 Financial commitments

a) Capital commitments

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

b) Operating lease commitments

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

	2000 £	1999 £
Expiry date:		
- within one year	10,781	4,134
- between two and five years	13,184	16,927
	<u>23,965</u>	<u>21,061</u>

18 Contingent liabilities

- (i) 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. It has been estimated that the liability will be in the order of £280,000. The directors are confident that the full claim is covered by insurance and thus will result in no liability to the group.
- (ii) A second claim has been lodged by a customer against the group. The claim calls for rectification and compensation for alleged damage to the customer's business. It has been estimated that the maximum liability should the action be successful is of the order of £19,095. The directors are confident that this claim will not be successful.

19 Ultimate controlling party and parent undertaking

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 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.