UCB T & R GRAHAM LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER 1998

Registered Number: 20905

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UCB T & R GRAHAM LIMITED

REPORT OF THE DIRECTORS

31st December 1998

The Directors present their annual report and the financial statements for the year ended 31st December 1998.

The company continued to convert flexible packaging materials at Station Road, Wigton, Cumbria.

The profit on ordinary activities, after taxation, amounted to £247,000 which is proposed should be added to reserves.

Full details of the company's results are shown in the attached financial statements.

Elective resolutions exempting the Directors from the need to lay accounts and reports before the company in General Meetings, exempting the company from holding Annual General Meetings and exempting the company from annually re-appointing its auditors remain in force.

The Directors of the company on the 31st December 1998, were W. Lowther (Chairman), R. Stewart-Smith, and E.K. Theusinger (German). All the Directors were Directors throughout the year.

The sole ordinary shareholder of the company on the 31st December 1998, was UCB (Investments) Limited. The ultimate parent company is UCB S.A., incorporated in Belgium.

Year 2000 compliance

As is well known, many computer and digital systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond, in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

A company wide programme, designed to address the impact of the year 2000 on our business, has been commissioned and is under way. Resources have been allocated and regular reports on progress have been received.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed, which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of year 2000 related failures by our significant suppliers and customers. In appropriate cases, we have initiated formal communication with these other parties.

UCB T & R GRAHAM LIMITED

REPORT OF THE DIRECTORS

31st December 1998
(continued)

Year 2000 compliance

Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

The cost of implementing the action plans has been subsumed into the recurring activities of the departments involved.

By order of the Board

R. Stewart-Smith
Secretary

26th April 1999

c/o Kidsons Impey
Breckenridge House
274 Sauchiehall Street
Glasgow,
G2 3EH.

UCB T & R GRAHAM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law 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, we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable 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 in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud.

On behalf of the board

R. Stewart-Smith
Secretary

26 March 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF

UCB T & R GRAHAM LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 company's circumstances, 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 the company's affairs at 31st December 1998, and of its results for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kidsons Impey

Kidsons Impey
Registered Auditors
Chartered Accountants

London
26 March 1999

UCB T & R GRAHAM LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1998

	Note	1998 £'000	1997 £'000
Turnover	2	727	764
Cost of sales		(295)	(295)
Gross profit		432	469
Net operating expenses		(97)	(196)
Profit on ordinary activities before taxation	3	335	273
Taxation	5	(88)	(86)
Profit on ordinary activities after taxation	12	247	187

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses or historical cost statement has been presented.

All deductions are shown in brackets.

The notes to the financial statements are on pages 7 to 12.

UCB T & R GRAHAM LIMITED

BALANCE SHEET

31st December 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Tangible assets	6		-		-
Current assets					
Debtors	7	59		81	
Cash and bank balances		256		188	
		315		269	
Creditors:					
Amounts falling due within one year	8	(95)		(125)	
Net current assets			220		144
Total assets less current liabilities			220		144
Creditors: amounts falling due after more than one year	8		(579)		(750)
			(359)		(606)
Capital and reserves:					
Called up share capital	11		2,350		2,350
Profit and loss account	12		(2,709)		(2,956)
Total shareholders' funds, attributable to equity shareholders	10		(359)		(606)

The financial statements on pages 5 to 12 were approved by the board of directors on 26 March 1999

) Directors

All deductions are shown in brackets.

The notes to the financial statements are on pages 7 to 12.

UCB T & R GRAHAM LIMITED

NOTES TO THE ACCOUNTS

31st December 1998

1. **Accounting policies**

Basis of accounting

The financial statements are prepared on the historical cost basis modified by the revaluation of certain tangible fixed assets and in accordance with applicable accounting standards. Advantage has been taken on the exemption, granted by paragraph 3(c) of FRS 8, from reporting transactions with fellow group undertakings on the basis that the consolidated financial statements in which the company is included are publicly available.

Depreciation

Depreciation is being charged by equal annual instalments, with the exception of the year in which the asset is first available for use when an amount proportionate to the period of the year for which the asset was in use is charged, so as to write off each asset's cost or valuation, less any residual value, over its anticipated economic life.

Government grants are treated as deferred credits and released to the profit and loss account at the same rate as the depreciation charged on the corresponding fixed assets, in order to spread the benefit over the same period.

The following periods have been used in determining the amount of depreciation charged:

Buildings	20 years
Plant and machinery	4 to 6 years

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost has been determined by the "first in, first out" method and is based on purchase price or production costs, including related fixed and variable production overheads and depreciation. Net realisable value is based on estimated selling price, less the cost of disposal.

Deferred taxation

Deferred taxation is provided where applicable, on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities have been translated at rates ruling at the Balance Sheet date. Any exchange differences have been included in operating profit.

1. **Accounting policies** (continued)

Cashflow statement

No cashflow statement is prepared as the company is a wholly owned subsidiary undertaking and the ultimate parent undertaking prepares a consolidated cashflow statement.

Pension costs

Contributions to the Group's pension scheme are charged to the profit and loss account, so as to spread the cost of pensions over the employees' working lives within the Group.

2. **Analysis of turnover by destination**

All sales to third parties were within the United Kingdom.

3. **Operating profit**

	1998 £'000	1997 £'000
Auditors' remuneration and expenses - audit services	1	1

4. **Directors and employees**

	1998 £'000	1997 £'000
Wages and salaries	113	100
Social security costs	8	7
Other pension costs	7	6
	128	113
	Number	**Number**
Average numbers employed	7	7

All the directors were either members of the Board, managers or consultants of either intermediate or ultimate parent companies, and were remunerated by those companies in respect of their services to the Group as a whole.

5. **Taxation**

	1998 £'000	1997 £'000
Tax on ordinary activities at 31%	88	86

6. **Tangible fixed assets**

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
At cost or valuation			
At 31st December 1997 and 31st December 1998	-	89	89
Depreciation			
At 31st December 1997 and 31st December 1998	-	89	89
Net book amount			
31st December 1998 and 31st December 1997	-	-	-

7. **Debtors:** amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed by parent undertaking and fellow subsidiary undertakings	56	81
Prepayments and accrued income	3	-
	59	81

8. **Creditors**

	Amounts falling due within one year		Amounts falling due after more than one year	
	1998	**1997**	**1998**	**1997**
	£'000	**£'000**	**£'000**	**£'000**
Amounts owed to parent undertaking and fellow subsidiary undertakings	25	105	579	750
Taxation and social security	48	-	-	-
Accruals and deferred income	22	20	-	-
	95	125	579	750

9. **Commitments under operating leases**

There were no financial commitments under non-cancellable operating leases at 31st December 1998 or 31st December 1997.

10. **Reconciliation of movements in shareholders' funds**

	1998	1997
	£'000	£'000
Profit for the financial year	247	187
Opening shareholders' funds	(606)	(793)
Closing shareholders' funds	(359)	(606)

11 **Share capital**

	Authorised		Allotted, called up and fully paid	
1998 and 1997	**No. of shares**	**£'000**	**No. of shares**	**£'000**
Ordinary shares of £1 each (equity)	2,350,000	2,350	2,350,000	2,350

12 **Reserves**

	1998 £'000
Profit and loss account	
At 1st January 1998	(2,956)
Profit for the year	247
At 31st December 1998	(2,709)

13 **Future capital expenditure**

There were no commitments in respect of future capital expenditure at 31st December 1998 or 31st December 1997.

14 **Parent companies**

The company is controlled by and is a wholly owned subsidiary of UCB S.A. (incorporated in Belgium) through that company's one hundred percent ownership of UCB (Investments) Limited (registered in England).

15 **Borrowings**

The company has guaranteed certain borrowings of other UCB Group U.K. companies.

16 **Pension scheme**

(a) Nature of scheme
The company participates in the UCB British Pension Scheme which is constituted through a separate independent trust. The scheme is a contributory, funded, defined benefit scheme, the benefits of which are based on final pensionable pay.

(b) Pension costs

Contributions to the UCB British Pension Scheme are assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest assessment of the scheme was made as at the 1st January 1997. Contributions from the company of £7,000 (1997: £6,000) were paid to the scheme in the year. Contributions totalling £1,000 (1997: £1,000) were payable to the scheme at the year end and are included in creditors.

(c) Actuarial valuation

At the date of the latest actuarial valuation of the UCB British Pension Scheme the market value of the scheme assets was £106,946,000, the actuarial value of those assets represented 101.9% of the benefits that have accrued to members after allowing for expected increases in earnings. Members of the scheme contribute 6% of contributory pay and the respective employing companies contribute 12½% of members' contributory pay. In the opinion of the actuary, there is no immediate requirement for the company to increase its rate of contribution.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and the rates of increases in salaries, wages and pensions. It was assumed that the investment return would be 9% per annum, that pay increases would average 7% per annum plus historically based incremental scales for salaries/wages and that the rate of increase in present and future pensions would be 5% per annum.