

WADDINGTON LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2000

Registration No 173691



WADDINGTON LIMITED

DIRECTORS' REPORT FOR THE NINE MONTHS ENDED 31 DECEMBER 2000

The directors present their report and accounts for the nine months ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was to act as a holding company. During the period the company sold its investments in Johnsen & Jorgensen Packaging PLC, John Howitt Group Limited and Waddington Cartonmaster Limited.

The company transferred its assets and liabilities, excluding its remaining investments, during the period to the ultimate parent undertaking, communisis plc and ceased to trade.

RESULTS AND DIVIDEND

The results for the financial period are set out in the profit and loss account on page 4.

The profit before taxation was £ 94,972,000 compared with £4,016,000 for the previous year.

The profit for the period available for distribution was £ 94,888,000 (1 April 2000: £4,026,000). The directors recommend the payment of a dividend of £76,693,000 (1 April 2000: £5,522,000). Preference dividends of £7,000 (1 April 2000: £40,000) have been paid. The profit retained of £18,188,000 (1 April 2000: loss £1,536,000) has been transferred to reserves.

DIRECTORS

The following is a list of all persons who were directors of the company at any time between 1 April 2000 and the date of this report:

M Mitchell	
M K Young	
J R H Riddle	
D E A Jones	(Resigned 23 May 2000)
S M Wallis	(Resigned 23 May 2000)
M G Evans	(Resigned 24 May 2000)
J Hollowood	(Resigned 25 May 2000)
G Gibson	(Resigned 30 May 2000, re-appointed 12 June 2000, Resigned 29 January 2001)

During the year the company purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 1985.

DIRECTORS' SHARE INTERESTS

None of the directors had any interests in the share capital of the company.

The interests of directors in the issued share capital of communisis plc, the ultimate parent undertaking and controlling party, at 31 December 2000 were as follows:

Ordinary Shares	Number at 1 April 2000	Exercised in period	Granted in period	Number at 31 December 2000
M Mitchell	164,565	-	-	172,939
M K Young	89,916	-	-	89,916
J R H Riddle	2,986	-	-	2,986
G Gibson	94,983	-	-	94,983
Executive share options				
M Mitchell	124,679		313,455	438,134
M K Young	143,179	-	107,141	250,320
J R H Riddle	20,592	-	37,166	57,758
G Gibson	448,661	-	-	448,661
Savings related share options				
M Mitchell	7,027	(7,027) lapsed	-	-
M K Young	13,988	-	-	13,988
J R H Riddle	6,153	-	-	13,504
G Gibson	13,988	-	-	13,988

The number of shares at 1 April 2000 is shown after taking account of the consolidation of share capital of communisis plc which took place on 7 June 2000, whereby every twenty five ordinary shares of 1p were converted into one ordinary share of 25p.

WADDINGTON LIMITED

DIRECTORS' REPORT FOR THE NINE MONTHS ENDED 31 DECEMBER 2000

DIRECTORS' SHARE INTERESTS (continued)

All of the executive share options granted in 2000 were at an option price of 156.25p per share. Executive share options in existence at 31 December 2000 are exercisable between 2001 and 2010 at prices of 122.90p, 125.575p, 128.55p, 139.075p, 141.025p, 148.20p and 156.25p per share.

All of the savings related share options granted in 2000 were at an option price of 128.54p per share. Options in existence at 31 December 2000 are exercisable between 2002 and 2005 at prices of 123.30p and 128.54p per share.

The market price of the shares of communisis plc at 31 December 2000 was 192.5p and the range during 2000 was 81.25p to 231.25p.

All interests shown above are beneficial.

TANGIBLE ASSETS

Details of the movements in tangible assets during the period are given in Note 7 to the accounts.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period 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 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 to 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

During the period, PricewaterhouseCoopers resigned as auditors, and Arthur Andersen were appointed to fill the casual vacancy. The re-appointment of Arthur Andersen will be proposed at the Annual General Meeting.

By order of the board


M K YOUNG
Secretary

22 October 2001

Registered Office
Wakefield Road
Leeds
LS10 1DU
Registration no.173691

AUDITORS' REPORT TO THE SHAREHOLDERS OF WADDINGTON LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 2000 and of the company's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors
1 City Square
Leeds
LS1 2AL

22 October 2001

WADDINGTON LIMITED

PROFIT AND LOSS ACCOUNT FOR THE

NINE MONTHS ENDED 31 DECEMBER 2000

	Notes	9 months ended 31 December 2000 £000	Year ended 1 April 2000 £000
Costs and overheads	2	262	(3,774)
Currency translation gains		5,955	-
OPERATING PROFIT/(LOSS)		6,217	(3,774)
Dividends receivable from subsidiary undertakings		83,293	3,308
Exceptional item	4	4,962	-
Interest receivable	5	500	4,482
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		94,972	4,016
Taxation	6	(84)	10
PROFIT FOR FINANCIAL PERIOD/YEAR		94,888	4,026
Dividends payable to parent undertaking		(76,693)	-
Ordinary dividends payable		-	(5,522)
Preference dividends payable		(7)	(40)
RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL PERIOD/YEAR	12	18,188	(1,536)

All results are derived from discontinued operations.

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

STATEMENT OF RETAINED PROFITS

Profit and loss account at 1 April 2000	44,025	45,978
Retained profit/(loss) for the period/year	18,188	(1,536)
Currency translation differences	-	(417)
Profit and loss account at 31 December 2000	62,213	44,025

WADDINGTON LIMITED

BALANCE SHEET - 31 DECEMBER 2000

	<u>Notes</u>	<u>31 December 2000</u> <u>£'000</u>	<u>1 April 2000</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	7	-	504
Investments	8	126,989	106,698
		<u>126,989</u>	<u>107,202</u>
CURRENT ASSETS			
Debtors	9	-	5,642
Cash at bank		-	5,000
		<u>-</u>	<u>10,642</u>
CREDITORS (due within one year)			
Borrowings		-	(19)
Other creditors	10	-	(8,264)
		<u>-</u>	<u>(8,283)</u>
NET CURRENT ASSETS		<u>-</u>	<u>2,359</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>126,989</u>	<u>109,561</u>
CREDITORS (due after one year)			
Loan from parent undertaking		(33,011)	(30,164)
PROVISIONS FOR LIABILITIES AND CHARGES	6	-	(3,607)
NET ASSETS		<u>93,978</u>	<u>75,790</u>
CAPITAL AND RESERVES INCLUDING NON-EQUITY INTERESTS			
Called up share capital	11	27,181	27,181
Share premium account		4,584	4,584
Profit and loss account		62,213	44,025
SHAREHOLDERS' FUNDS	12	<u>93,978</u>	<u>75,790</u>
SHAREHOLDERS' FUNDS COMPRISE:			
Equity interests		93,377	75,189
Non-equity interests		601	601
		<u>93,978</u>	<u>75,790</u>

M K YOUNG

DIRECTOR

APPROVED BY THE BOARD
ON 22 OCTOBER 2001

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

WADDINGTON LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

1. ACCOUNTING POLICIES

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

Basis of presentation

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

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

No provision is made for deferred taxation unless there is a reasonable probability of payment in the foreseeable future.

Investments in subsidiaries

Investments in subsidiaries are shown at cost or directors' valuation.

2. COSTS AND OVERHEADS

	9 months ended 31 December 2000 £'000	Year ended 1 April 2000 £'000
Other external charges and operating income	(262)	(196)
Group recharges	-	(2,148)
Staff costs (Note 3)	-	1,709
Depreciation	-	107
Exceptional item - professional fees	-	4,302
	<hr/>	<hr/>
	(262)	3,774
	<hr/>	<hr/>
Other external and operating charges/(income) include:		
Auditors' remuneration	-	50
	<hr/>	<hr/>

Auditors' remuneration in the nine month period to 31 December 2000 has been borne by another group undertaking.

WADDINGTON LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

	9 months ended 31 December 2000 <u>£'000</u>	Year ended 1 April 2000 <u>£'000</u>
3. EMPLOYEES' AND DIRECTORS' COSTS		
Staff costs:		
Wages and salaries	-	1,463
Social security costs	-	133
Other pension costs	-	113
	<u>-</u>	<u>1,709</u>
	<u>Number</u>	<u>Number</u>
Average number of employees	-	30
	<u>-</u>	<u>30</u>
The emoluments of the directors of the company included above were as follows:		
	<u>£'000</u>	<u>£'000</u>
Aggregate emoluments	-	639
	<u>-</u>	<u>639</u>
Highest Paid Director:		
Aggregate emoluments	-	291
	<u>-</u>	<u>291</u>
Accrued Pension entitlement	-	128
	<u>-</u>	<u>128</u>
None of the directors received any emoluments during the nine month period to 31 December 2000 in respect of their services to the company.		
4. EXCEPTIONAL ITEM		
Profit on disposal of subsidiary undertakings	4,962	-
	<u>4,962</u>	<u>-</u>
5. INTEREST RECEIVABLE (PAYABLE)		
Bank loans	-	(1,398)
Bank overdrafts	-	(202)
Short term deposit interest receivable	-	2,582
Interest receivable from fellow group undertakings	-	1,842
Discount receivable on convertible loan note of fellow group undertaking	500	1,634
Other	-	23
	<u>500</u>	<u>4,482</u>
	<u>500</u>	<u>4,482</u>

WADDINGTON LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

6. TAXATION

	9 months ended 31 December 2000 £'000	Year ended 1 April 2000 £'000
UK corporation tax at 30% (1 April 2000 30%)	84	1,202
Adjustment in respect of prior years	-	572
Deferred taxation credit	-	(1,784)
	<u>84</u>	<u>(10)</u>

The taxation charge for the period has been decreased by approximately £35,500,000 (1 April 2000 increased by £810,000) due to non-taxable dividend and other income.

Deferred taxation at 30% is as follows:

	Full potential liability		Amount provided	
	31 December 2000 £'000	1 April 2000 £'000	31 December 2000 £'000	1 April 2000 £'000
Accelerated capital allowances	-	(78)	-	-
Other timing differences	-	(143)	-	(143)
Held over capital gains	-	3,750	-	3,750
	<u>-</u>	<u>3,529</u>	<u>-</u>	<u>3,607</u>

There is no liability to deferred taxation. The deferred tax previously provided was transferred to a fellow group undertaking.

7. TANGIBLE ASSETS

	Short leasehold property £'000	Plant and vehicles £'000	Other Equipment £'000	Total £'000
<u>Cost</u>				
1 April 2000	310	274	282	866
Transfers to parent undertaking	(310)	(274)	(282)	(866)
At 31 December 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Aggregate Depreciation</u>				
1 April 2000	62	161	139	362
Transfers to parent undertaking	(62)	(161)	(139)	(362)
31 December 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net book value</u>				
At 31 December 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 April 2000	<u>248</u>	<u>113</u>	<u>143</u>	<u>504</u>

WADDINGTON LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

8. INVESTMENTS IN SUBSIDIARIES AT VALUATION

	Shares £'000	Loans £'000	Provisions £'000	Total £'000
At 1 April 2000	123,110	72,824	(89,236)	106,698
Movement during the period	(7,693)	(29,228)	57,212	20,291
At 31 December 2000	115,417	43,596	(32,024)	126,989

The subsidiary undertakings at 31 December 2000, which are all wholly owned, are:

<u>Company</u>	<u>Activity</u>
Waddington Labels Limited	Label manufacture
Waddingtons House Limited	Holding company
John Waddington Investments Limited	Holding Company
House of Dubreq Limited	Lease of plant

Dormant companies:

Johnsen & Jorgensen Plastics Limited	Non-trading
Jaypak Limited	Non-trading
Mono-web Limited	Non-trading
Waddington Business Forms Limited	Non-trading
Waddingtons International Limited	Non-trading
Waddingtons Games Limited	Non-trading
Waddington No 1 Limited	Non-trading
Housemartin International Limited	Non-trading
Waddingtons Playing Card Company Limited	Non-trading
Subbuteo Sports Games Limited	Non-trading
Waddingtons Videomaster Limited	Non-trading
Art Master of Chelsea Limited	Non-trading
John Waddington Trustee Company Limited	Non-trading
Imagio Limited	Non-trading
Waddingtons Business Forms (Clayton West) Limited	Non-trading
Lebec Limited	Non-trading
Supervision Entertainment Limited	Non-trading

All the above companies are registered in England, except Waddingtons House Limited and Waddington No 1 Limited which are registered in Scotland.

The company is exempt from the obligation to prepare group accounts under section 228 of the Companies Act 1985 since it is a wholly owned subsidiary of communisis plc, a company registered in England which prepares group accounts.

In the opinion of the directors the aggregate value of the company's investments in its subsidiaries is not less than the aggregate of the amount at which these assets are stated in the balance sheet.

WADDINGTON LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

	31 December 2000 £'000	1 April 2000 £'000
9. DEBTORS		
Trade debtors	-	67
Amounts owed by fellow group undertakings	-	3,335
Prepayments and accrued income	-	749
Other debtors	-	1,491
	<u>-</u>	<u>5,642</u>

10. CREDITORS (due within one year)		
Trade creditors	-	28
Other creditors	-	2,457
Corporation tax	-	4,449
Other taxation and social security	-	982
Accruals and deferred income	-	348
	<u>-</u>	<u>8,264</u>

11. CALLED UP SHARE CAPITAL

	31 December 2000 £'000	Authorised 1 April 2000 £'000	Allotted and fully paid 31 December 2000 £'000	1 April 2000 £'000
8% Cumulative preference shares £1 each	200	200	200	200
6% Cumulative preference shares of £1 each	500	500	401	401
Ordinary shares of 25p each	37,500	37,500	26,580	26,580
	<u>38,200</u>	<u>38,200</u>	<u>27,181</u>	<u>27,181</u>

The preference shares carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the company's Articles of Association. The 8% cumulative preference shares rank in priority to the 6% cumulative preference shares both as to dividends and on a winding up. Both classes of preference shares rank ahead of the ordinary shares in respect of dividends and on a winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2000 £'000	1 April 2000 £'000
Profit for period/year	94,888	4,026
Dividends payable	(76,700)	(5,562)
	<u>18,188</u>	<u>(1,536)</u>
Currency translation differences	-	(417)
New share capital issued, net of costs	-	660
	<u>18,188</u>	<u>(1,293)</u>
Net increase/(reduction) in shareholders' funds	18,188	(1,293)
Shareholders' funds at start of period	75,790	77,083
Shareholders' funds at end of period	<u>93,978</u>	<u>75,790</u>

WADDINGTON LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

13. CONTINGENT LIABILITIES

The company together with its fellow subsidiary undertakings, has given a guarantee in respect of certain bank borrowings of communisis plc. At 31 December 2000 total borrowings subject to the guarantee amounted to £14,057,605 (1 April 2000: £6,350,000).

A dispute is ongoing between the parent undertaking, communisis plc, and the purchaser of a business disposed of by the company in the period. As this dispute has yet to be settled the directors are of the opinion that the disclosure of any further details would not be appropriate.

14. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly-owned subsidiary of communisis plc and is included in the consolidated financial statements of communisis plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the communisis plc group or investees of the communisis plc group.

15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is communisis plc a company registered in England which prepares group accounts. The only group into which the results of the company are consolidated is that headed by communisis plc. Copies of the group accounts of communisis plc can be obtained by writing to:

The Secretary
communisis plc
Wakefield Road
Leeds LS10 1DU