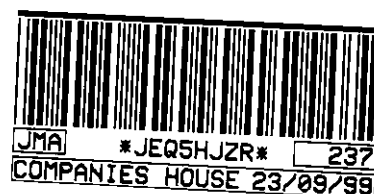


Waddington Cartons Limited

Directors' report and financial statements

34 weeks ended 28 November 1998

Registered number 529122



Waddington Cartons Limited

Directors' report and financial statements

Contents

	<i>Page</i>
Officers and professional advisers	2
Directors' report	3-4
Statement of directors' responsibilities	5
Report of the auditor	6
Profit and loss account	7
Balance sheet	8
Notes	9-16

Waddington Cartons Limited

Officers and professional advisers

Directors	S M Baker (resigned 13 October 1998) M Brain (resigned 13 October 1998) M H Buckley (resigned 13 October 1998) C M Green (resigned 13 October 1998) S Kearns (resigned 13 October 1998) K Peters (resigned 13 October 1998) S Roberts (resigned 13 October 1998) M L Collet J B Marx (appointed 13 October 1998) P Robson (appointed 13 October 1998)
Secretary	P A Naylor (appointed 13 October 1998)
Registered office	Cockburn Fields Middleton Grove Leeds LS11 5LX
Auditors	KPMG Audit Plc Chartered Accountants St James' Square Manchester M2 6DS
Bankers	National Westminster Bank Leeds City Office PO Box 154 8 Park Row Leeds LS1 1QS
Solicitors	Eversheds Cloth Hall Court Infirmary Street Leeds LS1 2JB

Waddington Cartons Limited

Directors' report

The directors have pleasure in submitting their annual report and accounts for the 34 weeks ended 28 November 1998.

Activity

The principal activity of the company is the manufacture of printed folding cartons primarily for the food industry.

Financial

On 5 April 1998 the company acquired the assets and trade of the cartons division of Waddington PLC at book value and started to trade. On 13 October 1998 the company's parent company sold its entire interest in the company to Low & Bonar PLC, which became the company's new ultimate parent undertaking.

The results for the period are set out in the profit and loss account on page 7.

The directors recommend that no final ordinary dividend be paid (*year to 4 April 1998: none*).

The retained loss of £1,339,298 has been transferred to reserves (in the year to 4 April 1998 there was no profit or loss).

Post balance sheet event

On 29 November 1998 the company sold its assets, liabilities and trade at book value to Bonar Imca Limited, a fellow subsidiary, and ceased to trade.

Directors and directors' interests

The directors of the company during the period and to the date of this report are shown on page 2.

The directors who held office at the end of the financial period had no interests in the shares of the company.

Those persons who were directors of the company but not directors of Low & Bonar PLC have the following beneficial interests in the share capital of Low & Bonar PLC:-

	28 November 1998			Ordinary shares of 50p		
	Shares	Management Options	SAYE Options	Shares	On appointment Management Options	SAYE Options
P Robson	12,052	98,000	4,642	2,052	84,000	8,214

Policy on the payment of creditors

It is the policy of the Company to agree terms of payment when orders for goods and services are placed and to adhere to those arrangements when making payment. The number of days billings from suppliers outstanding at 28 November 1998 was 48 days.

Waddington Cartons Limited

Directors' report *(continued)*

Employment policies

It is the company's policy to keep employees fully informed on matters which affect them through direct face to face communications and collective procedures for joint consultation.

Throughout the period the development of communication skills at all levels of management has received a high priority. The drive for quality in all businesses has served as an important focus for improved communication with employees. It has provided opportunities for involving employees and enlisting their commitment through training and joint problem solving.

Disabled persons

The company's policy on the employment of disabled persons has been applied as sympathetically and positively as possible, although new employment opportunities have been limited.

The company has examined ways and means of providing employment for disabled employees under normal terms and conditions with opportunities for training, career development and promotion as appropriate.

Year 2000

The company recognises the potential problems associated with the Year 2000 issue and has a team whose objective is to ensure millennium compliance throughout the whole of our business.

We assessed our hardware, software and systems internally and those of our suppliers and customers. We are in the process of assessing compliance and while it is virtually impossible to be absolutely sure that no areas of the business will be affected by Year 2000 issues, we feel that the steps we have taken will ensure that these issues are minimised. Specific Year 2000 expenditure has been limited and we anticipate that the revenue costs involved will not be significant.

By order of the board

P. A. Naylor

17 September 1999

P A Naylor
Secretary

Waddington Cartons Limited

Statement of 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 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

St James' Square
Manchester M2 6DS

Report of the Auditor to the Members of Waddington Cartons Limited

We have audited the financial statements on pages 7 to 16.

Respective responsibilities of the directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the 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 as at 28 November 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

23 September 1999

Waddington Cartons Limited

Profit and loss account

for the 34 weeks ended 28 November 1998

	Note	34 weeks ended 28 November 1998 £	Year ended 4 April 1998 £
Turnover	2	23,350,232	-
Operating (loss)	3	(1,381,846)	-
Interest payable	4	(332,452)	-
(Loss) on ordinary activities before taxation		(1,714,298)	-
Tax on (loss) on ordinary activities	5	375,000	-
(Loss) on ordinary activities after taxation		(1,339,298)	-
Dividends proposed	6	-	-
Retained (loss) for the year		(1,339,298)	-

A statement of movements on reserves is given in note 15.

Turnover and results reported above all related to the activity which was acquired on 5 April 1998. This activity was discontinued on 29 November 1998.

There were no recognised gains or losses other than the loss for the year of £1,339,298 (period to 4 April 1998: no profit or loss).

The notes on pages 9 to 16 form part of these financial statements.

Waddington Cartons Limited

Balance sheet

at 28 November 1998

	Note	At 28 November 1998		At 4 April 1998	
		£	£	£	£
Fixed assets					
Tangible assets	9		19,396,607		-
Current assets					
Stocks	10	4,735,305		-	
Debtors	11	5,938,668		1,522,000	
Cash at bank and in hand		59,544		-	
		<u>10,733,517</u>		<u>1,522,000</u>	
Creditors: amounts falling due within one year	12	<u>(9,468,485)</u>		<u>-</u>	
Net current assets			<u>1,265,032</u>		<u>1,522,000</u>
Total assets less current liabilities			<u>20,661,639</u>		<u>1,522,000</u>
Creditors: amounts falling due after more than one year	12		<u>(20,478,937)</u>		<u>-</u>
			<u>182,702</u>		<u>1,522,000</u>
Capital and reserves					
Called up share capital	14		1,522,000		1,522,000
Profit and loss account	15		(1,339,298)		-
Equity shareholders funds	18		<u>182,702</u>		<u>1,522,000</u>

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 17 September 1999 and were signed on its behalf by:

P. Robson

P Robson
Director

Waddington Cartons Limited

Notes

(forming part of the financial statements)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

Prior to 13 October 1998, the company was a wholly owned subsidiary of Waddington PLC. Subsequent to that date, the company was a wholly owned subsidiary of Low & Bonar PLC and the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of these groups within the relevant period. The consolidated financial statements of Waddington PLC and Low & Bonar PLC, within which this company is included, are publicly available.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. The cost of work in progress and finished goods comprises materials, labour and attributable manufacturing overheads.

Turnover

Turnover is based on the invoiced value of sales excluding VAT, similar sales-related taxes and trade discounts.

Tangible fixed assets

The cost of fixed assets, except freehold and long leasehold land is depreciated to estimated residual value by equal annual instalments over the following estimated useful lives:

Freehold buildings	50 years
Plant and equipment	5-10 years

Waddington Cartons Limited

Notes (continued)

Leases

Rentals paid under operating leases are charged to income as incurred.

Rentals receivable under operating leases are recognised on a straight line basis over the lease term. Assets acquired for rental under operating leases are included under the relevant category of tangible fixed assets and are depreciated in accordance with that accounting policy.

Pension Costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Research and development

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

2 Analysis of turnover and operating profit

The analysis of turnover by geographical area is as follows:-

	34 weeks ended 28 November 1998 £	Year ended 4 April 1998 £
UK	22,561,010	-
Overseas	789,222	-
	<hr/> 23,350,232 <hr/>	<hr/> - <hr/>

Waddington Cartons Limited

Notes (continued)

3 Operating (loss)

	34 weeks ended 28 November 1998 £	Year ended 4 April 1998 £
Turnover	23,350,232	-
Cost of sales	(20,709,029)	-
Gross profit	2,641,203	-
Distribution costs	(1,306,486)	-
Administrative expenses	(2,716,563)	-
Operating (loss)	(1,381,846)	-
<i>Operating (loss) is stated after charging:</i>	£	£
Redundancy costs	280,311	-
Depreciation	1,919,119	-
Other operating charges - plant and equipment	167,963	-
Auditor's remuneration for audit services	23,000	-
<i>and after crediting:</i>		
Gain on sale of fixed tangible assets	323,934	-

4 Interest payable

	34 weeks ended 28 November 1998 £	Year ended 4 April 1998 £
On bank loans and overdraft	332,452	-

5 Tax on (loss) on ordinary activities

UK corporation tax credit at 31%	375,000	-
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Waddington Cartons Limited

Notes (continued)

6	Dividends	34 weeks ended 28 November 1998	Year ended 4 April 1998
		£	£
	Ordinary shares - proposed dividend	-	-
7	Remuneration of directors	34 weeks ended 28 November 1998	Year ended 4 April 1998
		£	£
	Directors' emoluments	360,067	-
	Compensation for loss of office	281,849	-

The directors' emoluments and compensation for loss of office were paid to directors of the company who resigned on 13 October 1998 (see page 2). The directors who were appointed at that date received no emoluments for their services to the company.

The emoluments of the highest paid director were £92,599. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £21,319 and his accrued lump sum was £48,281.

Retirement benefits are accruing to the following number of directors under defined benefit schemes as follows:

	Number	Number
Directors prior to 13 October 1998	4	4
Directors appointed on 13 October 1998 and for whom no emoluments were payable for their services to the company	2	-

No remuneration was paid to directors of the company in the year ended 4 April 1998 for their services to the company.

Waddington Cartons Limited

Notes (continued)

8	Staff costs	34 weeks ended 28 November 1998	Year ended 4 April 1998
		Number	Number
	The average number of employees	367	-
	<i>Employee costs</i>	£	£
	Wages and salaries	5,130,701	-
	Social security costs	444,108	-
	Other pension costs	399,427	-
		<u>5,974,236</u>	<u>-</u>

9 Fixed tangible assets

	Freehold land and buildings £	Plant and equipment £	Total £
<i>Cost</i>			
At 5 April 1998	-	-	-
Additions - intergroup	11,774,250	9,426,364	21,200,614
- external	-	190,278	190,278
Disposals	-	(75,166)	(75,166)
At 28 November 1998	<u>11,774,250</u>	<u>9,541,476</u>	<u>21,315,726</u>
<i>Depreciation</i>			
At 5 April 1998	-	-	-
Charge for period	146,667	1,772,452	1,919,119
Disposals	-	-	-
At 28 November 1998	<u>146,667</u>	<u>1,772,452</u>	<u>1,919,119</u>
<i>Net book value</i>			
At 28 November 1998	<u>11,627,583</u>	<u>7,769,024</u>	<u>19,396,607</u>
At 4 April 1998	<u>-</u>	<u>-</u>	<u>-</u>

Gross book value of freehold land and buildings includes land of £2,205,000 which is not depreciated (4 April 1998: £nil). The intra-group additions were prior to 13 October 1998.

Waddington Cartons Limited

Notes (continued)

10 Stocks

	28 November 1998	4 April 1998
	£	£
Raw materials and consumables	1,028,369	-
Work in progress	669,725	-
Finished goods and goods for resale	3,037,211	-
	<hr/>	<hr/>
	4,735,305	-
	<hr/>	<hr/>

11 Debtors

	28 November 1998	4 April 1998
	£	£
<i>Due within one year:</i>		
Trade debtors	5,419,014	-
Other debtors	330,654	-
Amounts owed by parent undertakings	-	1,522,000
Group relief receivable	189,000	-
	<hr/>	<hr/>
	5,938,668	1,522,000
	<hr/>	<hr/>

12 Creditors

	28 November 1998		4 April 1998	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Bank overdraft	2,323,523	-	-	-
Trade creditors	4,852,875	-	-	-
Amount owed to parent undertaking	-	20,478,937	-	-
Amounts owed to group undertakings	7,172	-	-	-
Other taxes and social security	451,555	-	-	-
Other creditors	1,833,360	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,468,485	20,478,937	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The intra group loans due after one year are interest free and are repayable on twelve months' notice.

Waddington Cartons Limited

Notes (continued)

13 Provision for liabilities and charges

Deferred taxation:	Accelerated capital allowances £	Other timing differences £	Total £
<i>As provided:</i>			
At 5 April 1998	-	-	-
Movement in period	-	-	-
At 28 November 1998	-	-	-
<i>On full deferral basis:</i>			
At 28 November 1998	2,391,889	(17,888)	2,374,001
At 4 April 1998	-	-	-

14 Called up share capital

	Authorised		Allotted, called up and fully paid			
	28 November 1998 £	4 April 1998 £	28 November 1998 No	£	4 April 1998 No	£
Ordinary shares of £1 each	1,750,000	1,750,000	1,522,000	1,522,000	1,522,000	1,522,000

15 Reserves

	Profit and loss account £
At 5 April 1998	-
Transfer to profit and loss account	(1,339,298)
At 28 November 1998	(1,339,298)

Waddington Cartons Limited

Notes (continued)

16 Pensions

The employees are members of group pension schemes operated by Waddington PLC, the company's former parent undertaking. The main scheme is the Waddington PLC Group Pension Scheme, which is of the defined benefit type with assets held in a separate trustee administered fund.

Contributions to this scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method of valuation. The most recent actuarial valuation of the scheme was carried out as at 1 October 1996. The principal assumptions used in this actuarial valuation were that the average long-term investment return would exceed increases in earnings and pensions in payment by 2.5% per annum and 5.5% per annum respectively. This valuation showed that the market value of the Waddington PLC Group Pension Scheme's assets amounted to £66,058,000 and that the actuarial value of these assets represented 105.5% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The pension cost for the period was £399,427 (*year to 4 April 1998: £nil*).

17 Capital and operating lease commitments

The company had no committed capital expenditure or operating lease commitments at 28 November 1998 or 4 April 1998.

18 Reconciliation of movement in shareholders' funds

	34 weeks ended 28 November 1998 £	34 weeks ended 4 April 1998 £
(Loss) for the year	(1,339,298)	-
Dividend	-	-
(Decrease) in shareholders' funds	(1,339,298)	-
Opening shareholders' funds	1,522,000	1,522,000
Closing shareholders' funds	182,702	1,522,000

19 Ultimate holding company

The ultimate holding company is Low & Bonar PLC, a company incorporated in Great Britain and registered in Scotland.

Copies of the accounts of Low & Bonar PLC may be obtained from Bonar House, Faraday Street, Dundee DD1 9JA.

20 Post balance sheet event

On 29 November 1998, the company sold its assets, liabilities and trade at book value to Bonar Imca Limited, a fellow subsidiary company, and ceased to trade.