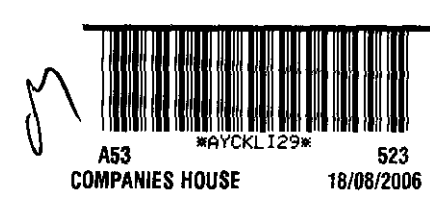


SIG Combibloc Limited

Report and Financial Statements

31 December 2005

114607





**SIG COMBIBLOC LIMITED**

**REGISTERED NO: 1146077**

**DIRECTORS' REPORT**

The directors present the financial statements of the company for the year ended 31st December 2005.

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The principal activity of the company is the manufacture and sale of liquid packaging cartons and the sale of associated machinery for the forming and filling of cartons.

**RESULTS**

The loss for the year after taxation amounted to £2,779,000. Although the directors are disappointed in the results for the year, they consider that solid foundations for further growth have been laid and view the future with confidence.

**FUTURE DEVELOPMENTS**

The directors will continue to manage the business with a view to improving the company's profitability in the current year.

**DIRECTORS**

Mr R Rademacher and Mr A Rosenstock held office throughout the year.

**DIRECTORS' INTERESTS**

None of the directors who held office at 31st December 2005 had interests in the share capital of the company.

**POLITICAL AND CHARITABLE DONATIONS**

During the year, the company made various charitable donations totalling £716 (2004: £nil).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and United Kingdom generally accepted Accounting Practice.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and the profit or loss for the financial year.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors consider that in preparing the financial statements on pages 4 to 11 appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have the general responsibility for taking such steps as are reasonably open to safeguard the assets of the company and to detect fraud and other irregularities.

**CREDITOR PAYMENT POLICY AND PRACTICE**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2005, the company had an average of 53 days purchases outstanding in trade creditors.

**FINANCIAL RISK MANAGEMENT POLICY**

The company's principal financial instruments comprise cash and loans with fellow subsidiaries of the ultimate parent company.

Overdraft can be used to satisfy short-term cash flow requirements if necessary.

The main risks associated with the company's financial assets and liabilities are set out below.

**Interest rate risk**

Interest is charged at a variable rate on group loans. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates.

**Credit risk**

All third party customers are subject to credit limits, insured or internally agreed to ensure the company's exposure to bad debt is not significant.

The remaining sales are with fellow subsidiary companies and therefore there is no exposure to external credit risk.

**Liquidity risk**

The company aims to mitigate liquidity risk by managing cash generated by its operations. Significant capital expenditure is approved at group level.

**Foreign currency risk**

The company has natural hedging in its regular trading transactions in Euro.

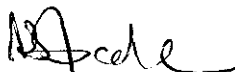
Wherever possible, loans will be denominated in sterling to avoid the currency risk.

If loans are denominated in Euro, the company's interest charge and cash flows arising from the loan can be affected by movements in the Euro exchange rate. No hedging activity is undertaken locally to mitigate this risk.

**AUDITORS**

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting

BY ORDER OF THE BOARD



A S Jackson  
Secretary

Date: 4 May 2006

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIG COMBIBLOC LIMITED**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise of the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the annual report and financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 transactions 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.

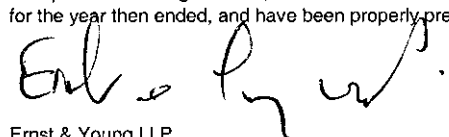
### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Newcastle upon Tyne

Date: 15 May 2006



**SIG COMBIBLOC LIMITED**

**PROFIT AND LOSS ACCOUNT - YEAR ENDED 31ST DECEMBER 2005**

	Note	2005 £'000	2004 £'000
TURNOVER	(2)	41,488	41,153
OPERATING COSTS	(3)	(43,685)	(41,892)
EXCEPTIONAL RESTRUCTURING COSTS RELEASED/(CHARGED)		250	(748)
OPERATING LOSS		(1,947)	(1,487)
LOSS ON SALE OF TANGIBLE FIXED ASSETS		(5)	(8)
INTEREST	(5)	(1,113)	(1,297)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,065)	(2,792)
TAXATION	(6)	286	285
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(2,779)	(2,507)
LOSS RETAINED FOR THE FINANCIAL YEAR	(16)	(2,779)	(2,507)

**Statement of total recognised gains and losses**

The company has no recognised gains or losses other than the loss attributable to shareholders of the company and therefore no separate statement of total recognised gains and losses has been presented.






**SIG COMBIBLOC LIMITED**

**BALANCE SHEET - 31ST DECEMBER 2005**

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	(10)	11.283	12.609
<b>CURRENT ASSETS</b>			
Stocks	(11)	6.372	10.507
Debtors	(12)	6.782	3.857
Cash at Bank and in hand		11.091	497
		-----	-----
		24.245	14.861
<b>CREDITORS</b>			
Amounts falling due within one year	(13)	22.012	11.175
		-----	-----
<b>NET CURRENT ASSETS</b>		2.233	3.686
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		13.516	16.295
<b>CREDITORS</b>			
Amounts falling due after more than one year	(13)	11.000	15.000
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	(14)	-	-
		-----	-----
		2.516	1.295
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(15)	1.500	1.500
Capital contribution	(15)	6.000	2.000
Profit and Loss Account	(16)	(4.984)	(2.205)
		-----	-----
<b>EQUITY SHAREHOLDERS' FUNDS</b>	(16)	2.516	1.295
		=====	=====

Approved by a Board Resolution dated 4 May 2006

  
A Rosenstock  
Director

**SIG COMBIBLOC LIMITED**
**CASH FLOW STATEMENT - YEAR ENDED 31ST DECEMBER 2005**

	Note	2005 £'000	2004 £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(4)	12,107	(3,961)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(1,149)	(1,303)
Interest received		36	6
		(1,113)	(1,297)
TAXATION			
Corporation Tax Refund		387	31
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(787)	(1,504)
Receipts from sales of tangible fixed assets		-	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(787)	(1,504)
EQUITY DIVIDENDS PAID		-	-
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		10,594	(6,731)
FINANCING			
Repayment of loan from immediate parent undertaking	(13)	(4,000)	-
Capital contribution received	(15)	4,000	-
NET CASH INFLOW FROM FINANCING		0	-
INCREASE/(DECREASE) IN CASH		10,594	(6,731)
		=====	=====
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		2005 £'000	2004 £'000
Increase/(Decrease) in cash		10,594	(6,731)
Repayment of loan from immediate parent undertaking		4,000	-
MOVEMENT IN NET DEBT ARISING FROM CASH FLOWS		14,594	(6,731)
NET DEBT AT 1 JANUARY		(14,503)	(7,772)
NET FUNDS/(DEBT) AT 31 DECEMBER		91	(14,503)
		=====	=====

1. ACCOUNTING POLICIES

**Accounting Convention** - the financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**Depreciation** - depreciation is calculated to write off the book value of tangible assets over their expected life by equal annual instalments, except that depreciation is not provided on the cost of freehold land or assets under construction.

Tangible fixed assets are depreciated at the following rates:

Freehold buildings	2%
Plant, machinery and vehicles	7.5 to 33.3%

**Stocks** - stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

**Raw materials and goods for resale** - purchases on an average cost basis.

**Work in progress and finished goods** - cost of direct materials, labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**Foreign Currencies** - assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end or which are appropriate to a transaction.

Differences arising from fluctuations in exchange rates are taken to profit and loss account where they relate to items of a trading nature.

Those arising on long term assets and liabilities are taken directly to reserves.

**Deferred Tax** - Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Development expenditure** is charged in the year it is incurred.

**Deferred Operating Expenditure** - the net costs of filling machine placements are charged against profit over the period of the supply contract with the customer. Any such net costs not yet charged are held in the balance sheet as "Deferred Operating Expenditure".

**Pensions** - The company operates a Group Personal Pension plan which is a defined contribution scheme.

The assets of this scheme are held separately from those of the company in an independently administered fund. The pension costs charge in 2005 represents contributions payable by the company to the scheme.

**SIG COMBIBLOC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2005 (cont'd)**

**2. TURNOVER**

Turnover is defined as the net amount receivable (excluding VAT) for goods supplied and services provided and includes sales to group undertakings within the UK and Eire. Turnover is attributable to one continuing activity, the manufacture and sale of liquid packaging cartons and the sale of associated machinery for the forming and filling cartons.

An analysis of turnover by geographical market is not given as in the directors' opinion it would be seriously prejudicial to the business.

**3. OPERATING COSTS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	28,042	27,551
Foreign exchange differences	121	248
Employee costs (Note 7)	5,547	7,472
Depreciation - owned fixed assets	2,108	2,198
Other operating charges	7,247	4,818
Decrease/(Increase) in stocks of finished goods	620	(395)
	-----	-----
	43,685	41,892
	=====	=====
Other operating charges include:		
Auditors remuneration	25	26
Other fees paid to auditors	27	23
	=====	=====

**4. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss	(1,947)	(1,487)
Depreciation	2,108	2,198
Decrease/(Increase) in stocks	4,135	(2,141)
(Increase)/Decrease in debtors	(3,026)	485
Increase/(Decrease) in creditors	10,837	(3,016)
	-----	-----
Net cash Inflow/(outflow) operating activities	12,107	(3,961)
	=====	=====

**5. INTEREST**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Payable		
Third party - other	(105)	(191)
Group companies	(1,044)	(1,112)
	-----	-----
	(1,149)	(1,303)
	-----	-----
Receivable		
Third party - other	36	6
	-----	-----
Net interest payable	(1,113)	(1,297)
	=====	=====

**SIG COMBIBLOC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2005 (cont'd)**

**6. TAXATION**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
a) The tax (credit) is made up as follows:		
Current tax:		
UK Corporation tax	-	-
Adjustment to prior years	(286)	(31)
	-----	-----
	(286)	(31)
	=====	=====
Deferred tax:		
Origination and reversal of timing differences	-	(254)
	-----	-----
Total deferred tax	-	(254)
	=====	=====
Tax (credit) on (loss) on ordinary activities	(286)	(285)
	=====	=====

b) Factors affecting the current tax (credit)

The tax assessed on the (loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
(Loss) on ordinary activities before tax	(3,065)	(2,792)
(Loss) on ordinary activities at standard rate of corporation in the UK of 30% (2004: 30%)	(920)	(837)
Effect of:		
Disallowed expenses and non-taxable income	3	15
Capital allowances in excess of depreciation	189	(349)
Other timing differences	(216)	-
Tax losses not relievable against current tax	944	1,171
Adjustments in respect of previous periods	(286)	(31)
	-----	-----
Total current tax credit for the year	(286)	(31)
	=====	=====

c) Factors that may affect future tax charges

The company has tax losses arising in the UK of approximately £6.5 million (2004 £5.0 million) that are available for offset against future taxable profits. A deferred tax asset has been recognised by way of set-off against deferred tax liabilities. A deferred tax asset of £920,000 (2004: £450,000) has not been recognised in respect of the remainder of these losses, as they do not satisfy the recognition criteria for deferred tax assets under FRS19. The recognition of the deferred tax is dependent upon future forecast taxable profits arising.

d) Tax on exceptional item

A taxation debit/(credit) has been included at the rate of 30% on the exceptional item.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2005 (cont'd)

7. STAFF COSTS		2005	2004
		£'000	£'000
a)	Employee Costs		
	Wages and salaries	4,515	6,348
	Social Security costs	484	612
	Other pension costs	548	512
		=====	=====
		5,547	7,472
		=====	=====
b)	Number of Employees		
	Monthly average number of employees:		
	Operatives	101	102
	Staff	82	109
		=====	=====
		183	211
		=====	=====

8. EMOLUMENTS OF DIRECTORS		2005	2004
		£'000	£'000
Emoluments		-	-
		=====	=====
Company contributions to defined benefit pension scheme		-	-
		=====	=====
Members of defined contribution pension scheme		-	-
Members of defined benefit pension scheme		-	-
		=====	=====

## 9. PENSION COSTS

The company operates a Group Personal Pension plan which is a defined contribution scheme. The assets of this scheme are held separately from those of the company in an independently administered fund.

Contributions are charged to the profit and loss account in the year in which they become payable. The unpaid contributions at 31 December 2005 were £18,667 (2004: £20,000).

## 10. TANGIBLE ASSETS

	Freehold Land & Buildings	Plant Machinery & Vehicles	Total
	£'000	£'000	£'000
Cost			
1st January 2005	3,970	25,075	29,045
Additions	-	787	787
Disposals	-	(3,004)	(3,004)
	=====	=====	=====
31st December 2005	3,970	22,858	26,828
	=====	=====	=====
Depreciation			
1st January 2005	1,281	15,155	16,436
Provided during the year	153	1,955	2,108
Disposals	-	(2,999)	(2,999)
	=====	=====	=====
31st December 2005	1,434	14,111	15,545
	=====	=====	=====
Net book amounts:			
31st December 2005	2,536	8,747	11,283
	=====	=====	=====
31st December 2004	2,689	9,920	12,609
	=====	=====	=====

Included in freehold land and buildings is land which cost £309,000 which is not depreciated.

Included in plant, machinery and vehicles above are amounts of £340,000 (2004: £661,000) relating to assets under construction which are not depreciated.





**SIG COMBIBLOC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2005 (cont'd)**

**11. STOCKS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	2,520	3,062
Work in progress	28	317
Finished goods and goods for resale	3,824	7,128
	-----	-----
	6,372	10,507
	=====	=====

In the opinion of the directors the replacement value of the above stocks is not materially different from the valuation shown above.

**12. DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from fellow subsidiary undertakings	2,279	1,839
Trade debtors	3,487	928
Deferred Operating Expenditure	474	727
Other debtors	542	262
Corporation tax	-	101
	-----	-----
	6,782	3,857
	=====	=====

Amounts falling due after more than one year include the following amounts included within deferred operating expenditure and other debtors.

	329	725
	=====	=====

Trade debtors can be analysed as follows:

Gross trade debtors	3,487	3,577
less: amounts advanced under non-recourse debt factoring arrangements	-	(2,649)
	-----	-----
	3,487	928
	=====	=====

**13. CREDITORS**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Amount due to fellow subsidiary undertakings	17,357	8,089
Trade creditors	2,734	1,045
Other taxes and Social Security costs	1,177	522
Other creditors and accruals	744	1,519
	-----	-----
	22,012	11,175
	=====	=====

Amounts falling due after more than one year:

Amount due to immediate parent undertaking	11,000	15,000
	-----	-----
	11,000	15,000
	=====	=====

The amount due to immediate parent undertaking is not repayable until at least 1 January 2007. The directors believe that the loan will be rolled over for another year at that time.

Subsequent to the year end, the company repaid Euro 6,300,000 owed to a fellow subsidiary undertakings.

**SIG COMBIBLOC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2005 (cont'd)**

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

The movements in deferred taxation during the current and previous years are as follows:

	2005 £'000	2004 £'000
At 1st January	-	254
Credit to profit and loss account (note 6)	-	(254)
At 31st December	-	-

	2005 £'000	2004 £'000
The deferred tax not included in the balance sheet is made up as follows:		
Accelerated capital allowances	1,065	1,238
Other timing differences	(11)	(14)
Tax losses	(1,974)	(1,674)
Unprovided deferred tax asset	(920)	(450)

**15. SHARE CAPITAL**

	2005 £'000	2004 £'000
Ordinary shares of £1 each - authorised, allotted, called up and fully paid	1,500	1,500
Capital contribution	6,000	2,000
	7,500	3,500

During the year a capital contribution of £4,000,000 was received from the immediate parent undertaking.

**16. RECONCILIATION OF SHAREHOLDERS' FUNDS & MOVEMENT ON RESERVES**

	Share Capital £'000	Profit & Loss Account £'000	Total Shareholders' Funds £'000
At 1st January 2004	3,500	302	3,802
Loss for the year	-	(2,507)	(2,507)
At 1st January 2005	3,500	(2,205)	1,295
Capital Contribution	4,000	-	4,000
Loss for the year	-	(2,779)	(2,779)
At 31st December 2005	7,500	(4,984)	2,516

**17. CAPITAL COMMITMENTS**

There are no capital commitments contracted but not provided for (2004: £nil).

**18. COMMITMENTS UNDER OPERATING LEASES**

As at 31 December 2005, the company had annual commitments under non-cancellable operating leases as set out below:

	2005 £'000	Land and buildings 2004 £'000	2005 £'000	Other 2004 £'000
Operating leases which expire:				
After more than five years	-	-	579	-
	-	-	579	-

**19. CONTINGENT LIABILITIES**

The company has placed equipment at customer premises, the sale of which, was made through leasing companies and supported by Letter of Comforts.

As part of the arrangements the company entered into agreements whereby it has agreed to buy back the equipment for £2,221,000 on expiry or other termination of the rental agreements.

The company believes that the future income from the agreements, should the customer continue to use the equipment, or the proceeds from re-sale is likely to be greater than £2,221,000.

**20. RELATED PARTIES**

The company has taken advantage of the exemption under FRS8 from disclosing transactions with Group undertakings on the grounds that it is a wholly owned subsidiary undertaking of the SIG Holding AG.

**21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

In the directors' opinion the ultimate parent undertaking and controlling party is SIG Holding AG which is incorporated in Switzerland. Copies of its group financial statements, which include the company, are available from SIG Holding AG, CH-8212 Neuhausen am Rheinfall, Switzerland.

The company's immediate parent undertaking and for which consolidated financial statements are prepared, is SIG Holdings (UK) Limited, a company incorporated in the UK.

