

DANISCO FLEXIBLE LIMITED

**REPORT AND ACCOUNTS
FOR
THE YEAR ENDED 30 APRIL 2000**

REGISTERED NO 2808801



DANISCO FLEXIBLE LIMITED**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2000**

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DANISCO FLEXIBLE LIMITED**DIRECTORS**

I R Bodie
S A Ashforth
H Jansdorf
T T Møller
P Nørgaard
D Y Maitland

SECRETARY

S A Ashforth

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

AUDITORS

Deloitte & Touche
Chartered Accountants
39 George Street
Edinburgh
EH2 2HZ

DANISCO FLEXIBLE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 APRIL 2000

The Directors present their report and audited accounts for the year ended 30 April 2000.

Business Review

The profit after taxation for the year under review was £6,799,000 (1999: £2,858,000). No dividend is to be paid. The results and future prospects are regarded as satisfactory.

Principal Activities

The principal activities of the company are the design, manufacture and printing of flexible packaging.

Directors

The names of the present directors appear on page 2.

Directors' Shareholdings

All outstanding Directors' share options in Sidlaw Group Ltd at 30 April 1999 lapsed on 3 May 1999. None of the directors have any notifiable interest in the shares of the parent company.

Employee Involvement

Employees are provided with information on matters of concern to them, principally through the management structure and notice boards. Views of employees are sought as appropriate through the management structure.

Employment of Disabled Persons

The company policy recognises the importance of, and provides for, equality of opportunity in all aspects of employment for disabled persons.

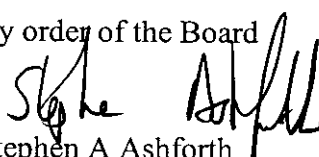
DANISCO FLEXIBLE LIMITED**REPORT OF THE DIRECTORS (contd)
FOR THE YEAR ENDED 30 APRIL 2000****Creditor Payment Policy**

It is the Company policy to pay its suppliers in accordance with the terms of trade which may be agreed at the time of order. At the period end, the amount owed to trade creditors by the Company was equivalent to 55 days of purchases from suppliers.

Auditors

A resolution to re-appoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

By order of the Board



Stephen A Ashforth
Secretary

23 February 2001

DANISCO FLEXIBLE LIMITED**DIRECTORS' RESPONSIBILITIES STATEMENT**

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 as at the end of the financial year and of the profit or loss of the company 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;
- 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. 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.

DANISCO FLEXIBLE LIMITED

**REPORT OF THE AUDITORS
TO THE MEMBERS OF DANISCO FLEXIBLE LIMITED
FOR THE YEAR ENDED 30 APRIL 2000**

We have audited the financial statements on pages 7 to 17 which have been prepared under the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5, the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 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 30 April 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors

28 February 2001

DANISCO FLEXIBLE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2000**

| | Notes | Year ended 30 Apr 00 £'000 | 7 months to 30 Apr 99 £'000 |
|--|-------|----------------------------------|-----------------------------------|
| Turnover | 1 | 111,893 | 63,364 |
| Cost of Sales | 2 | (90,268) | (48,540) |
| | | <hr/> | <hr/> |
| Gross profit | | 21,625 | 14,824 |
| Other operating expenses | 3 | (13,394) | (9,952) |
| Exceptional other operating expenses | 3 | - | (1,878) |
| | | <hr/> | <hr/> |
| Operating profit | | 8,231 | 2,994 |
| Interest | 4 | (188) | (136) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 8,043 | 2,858 |
| Taxation | 6 | (1,244) | - |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation and retained profit for the financial year | 18 | 6,799 | 2,858 |
| | | <hr/> | <hr/> |

The Company has no recognised gains and losses other than those included in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

The results above relate entirely to continuing operations.

DANISCO FLEXIBLE LIMITED**BALANCE SHEET AT 30 APRIL 2000**

| | Notes | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
|---|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 51,217 | 47,926 |
| Investments | 8 | 165 | 165 |
| | | <hr/> 51,382 | <hr/> 48,091 |
| Current assets | | | |
| Stocks | 11 | 14,507 | 12,391 |
| Debtors | 12 | 19,755 | 16,975 |
| Cash at bank and in hand | | 6,346 | 1,373 |
| | | <hr/> 40,608 | <hr/> 30,739 |
| Creditors: amounts falling due within one year | 13 | 22,215 | 18,162 |
| Net current assets | | <hr/> 18,393 | <hr/> 12,577 |
| Total assets less current liabilities | | <hr/> 69,775 | <hr/> 60,668 |
| Creditors: amounts falling due after one year | 14 | 39,363 | 37,055 |
| Net assets employed | | <hr/> 30,412 | <hr/> 23,613 |
| Capital and reserves | | | |
| Share capital | 16 | 15,719 | 15,719 |
| Special reserve | 17 | 4,809 | 4,809 |
| Profit and loss account | 18 | 9,884 | 3,085 |
| Equity shareholders' funds | | <hr/> 30,412 | <hr/> 23,613 |

Approved by the Board, 23 February 2001



I R Bodie } Director

DANISCO FLEXIBLE LIMITED

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

BASIS OF ACCOUNTING

The Company's accounts are prepared on the basis of historical cost convention.

TURNOVER

Turnover is stated net of sales taxes and allowances.

DEPRECIATION

Depreciation is applied on a straight-line basis over the estimated economic lives of the assets, less estimated residual values; for heritable freehold and long leasehold property, 2% per annum; for leasehold property over the period of the lease; for plant and machinery 7% to 10%; for other equipment 20%.

Accelerated rates are used when appropriate.

STOCKS

Raw materials are valued at the lower of actual cost on a FIFO basis and net realisable value. Work-in-progress and finished goods are stated at the lower of cost and net realisable value. For manufactured stocks, cost comprises material plus direct conversion costs and attributable overheads at normal output levels.

DEFERRED TAX

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

LEASED ASSETS

Monetary assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the period end or the contracted rates for the underlying transaction, whichever is appropriate. Differences on exchange are included in the profit and loss account.

DANISCO FLEXIBLE LIMITED**PRINCIPAL ACCOUNTING POLICIES****PENSIONS**

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or liability in the balance sheet.

CASH FLOW STATEMENT

The Company is a wholly-owned subsidiary of Danisco A/S. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

DANISCO FLEXIBLE LIMITED**NOTES ON THE ACCOUNTS****1) Turnover**

Turnover is based on goods invoiced less returns and allowances and is stated net of value added tax. It is analysed on the basis of destination. All turnover originates in the UK.

| | Year to 30 Apr 00 £'000 | 7 months to 30 Apr 99 £'000 |
|------------------------------|-------------------------------|-----------------------------------|
| Geographical analysis | | |
| United Kingdom | 103,764 | 55,637 |
| Europe | 6,969 | 6,404 |
| Americas | 461 | 615 |
| Other | 699 | 708 |
| | <u>111,893</u> | <u>63,364</u> |

2) Cost of sales

| | | |
|-------------------------|---------------|---------------|
| Depreciation | 4,960 | 3,348 |
| Operating lease rentals | | |
| Land and buildings | 371 | 323 |
| Plant and equipment | 188 | - |
| Other costs | 84,749 | 44,869 |
| | <u>90,268</u> | <u>48,540</u> |

3) Other operating expenses

| | | |
|-------------------------------------|---------------|---------------|
| Distribution costs | 3,305 | 1,878 |
| Administration expenses | | |
| Depreciation | 403 | 270 |
| Operating lease rentals – equipment | 673 | 356 |
| Land and buildings | 134 | - |
| Hire of plant | - | 1 |
| Other expenses | 8,879 | 7,447 |
| | <u>10,089</u> | <u>8,074</u> |
| Exceptional operating expenses | - | 1,878 |
| | <u>13,394</u> | <u>11,830</u> |

Auditors' remuneration is being met in full by the holding company.

Exceptional operating expenses of £1,878,000 disclosed in 1999 relate to an exceptional write down in the value of stocks and costs and expenses arising as a result of the acquisition of the share capital of Sidlaw Group plc by Danisco A/S.

DANISCO FLEXIBLE LIMITED

NOTES ON THE ACCOUNTS

| | Year to 30 Apr 00 £'000 | 7 months to 30 Apr 99 £'000 |
|---------------------------|-------------------------------|-----------------------------------|
| 4) Interest | | |
| Payable on finance leases | 188 | 139 |
| Receivable | - | (3) |
| | <u>188</u> | <u>136</u> |

5) **Employees**

The average monthly number of employees during the year was 972 (1999 - 856).

Employee costs during the year amounted to:

| | | |
|-----------------------|---------------|---------------|
| Wages and salaries | 24,742 | 13,155 |
| Social security costs | 2,022 | 1,097 |
| Other pension costs | 1,690 | 810 |
| | <u>28,454</u> | <u>15,062</u> |

None of the Directors received any emoluments during the year (1999 - Nil).

6) **Taxation**

| | | |
|---|--------------|----------|
| United Kingdom corporation tax at 30% (1999: 31%) | 1,662 | - |
| Adjustment in respect of prior years | (418) | - |
| | <u>1,244</u> | <u>-</u> |

The tax charge for the 7 months to 30 April 1999 was eliminated as a result of the excess of tax allowances over depreciation, tax losses and other timing differences on which, in accordance with the company's accounting policy, no deferred taxation has been provided.

The tax charge for the year to 30 April 2000 is disproportionate to the profit for the year due to group relief not paid for.

DANISCO FLEXIBLE LIMITED

NOTES ON THE ACCOUNTS

| | Land and buildings £'000 | Plant and equipment £'000 | Total £'000 |
|-------------------------------|--------------------------------|---------------------------------|----------------|
| 7) Tangible Assets | | | |
| Cost | | | |
| At 1 May 1999 | 8,806 | 73,226 | 82,032 |
| Additions | 58 | 8,680 | 8,738 |
| Disposals | - | (1,081) | (1,081) |
| At 30 April 2000 | 8,864 | 80,825 | 89,689 |
| Aggregate depreciation | | | |
| At 1 May 1999 | 783 | 33,323 | 34,106 |
| Charges for year | 186 | 5,177 | 5,363 |
| Disposals | - | (997) | (997) |
| At 30 April 2000 | 969 | 37,503 | 38,472 |
| Net book value | | | |
| At 30 April 2000 | 7,895 | 43,322 | 51,217 |
| At 30 April 1999 | 8,023 | 39,903 | 47,926 |
| Consisting of: | | | |
| Long leasehold | 1,501 | | |
| Short leasehold | 4 | | |
| Freehold | 6,390 | | |
| | 7,895 | | |

The net book value of tangible assets includes an amount of £3,613,000 (1999 - £4,057,211) in respect of assets held under finance leases and hire purchase contracts. The depreciation on these assets was £457,000 (1999 - £271,000).

| | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
|---|--------------------|--------------------|
| 8) Investments | | |
| Subsidiary undertakings: | | |
| Cost at 30 April 1999 and 30 April 2000 | 165 | 165 |

The Company has taken advantage of S228 Companies Act 1985, and has not therefore prepared group accounts as it is a subsidiary of a larger group.

DANISCO FLEXIBLE LIMITED

NOTES ON THE ACCOUNTS

| | | | |
|-----|--|---|--|
| 9) | Capital Commitments | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
| | Contracted but not provided | 142 | 3,072 |
| 10) | Commitments under Operating Leases | Land & Buildings 30 Apr 00 £'000 | Plant & Equipment 30 Apr 99 £'000 |
| | Annual commitments under non-cancellable operating leases expiring | | |
| | Within 1 year | 5 | 65 |
| | Between 2-5 years | 68 | 60 |
| | After 5 years | 469 | 136 |
| | | 342 | 99 |
| | | 469 | 365 |
| | | - | - |
| | | 542 | 478 |
| | | 594 | 464 |
| 11) | Stocks | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
| | Raw materials | 3,951 | 2,359 |
| | Work in progress and finished goods | 10,556 | 10,032 |
| | | 14,507 | 12,391 |
| 12) | Debtors | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
| | Due within one year | | |
| | Trade debtors | 17,928 | 13,259 |
| | Prepayments and accrued income | 404 | 490 |
| | Other debtors | 1,423 | 2,328 |
| | Due from parent undertaking | - | 30 |
| | Due after one year | | |
| | Due from fellow subsidiary undertakings | - | 148 |
| | Due from parent undertaking | - | 720 |
| | | 19,755 | 16,975 |

DANISCO FLEXIBLE LIMITED

NOTES ON THE ACCOUNTS

| | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
|--|--------------------|--------------------|
| 13) Creditors due within one year | | |
| Bank overdrafts | - | 8 |
| Trade creditors | 13,271 | 10,575 |
| Other taxes and social security | 1,497 | 1,195 |
| Capital creditors | - | 76 |
| Accruals and deferred income | 3,970 | 3,054 |
| Corporation tax | 1,244 | - |
| Finance leases | 723 | 673 |
| Other creditors | 1,510 | 2,463 |
| Due to fellow subsidiary undertakings | - | 118 |
| | <u>22,215</u> | <u>18,162</u> |

The finance lease creditor is secured over the related assets.

| | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
|---|--------------------|--------------------|
| 14) Creditors due after one year | | |
| Repayable 1 - 2 years | | |
| Finance leases | 775 | 721 |
| Due to fellow subsidiary undertakings | 18,421 | 20,235 |
| Due to parent undertaking | 19,668 | 14,824 |
| | <u>38,864</u> | <u>35,780</u> |
| Repayable 2 - 5 years | | |
| Finance leases | 499 | 1,275 |
| | <u>39,363</u> | <u>37,055</u> |
| Total creditors due after one year | <u>39,363</u> | <u>37,055</u> |
| 15) Deferred Taxation | £'000 | £'000 |
| At 1 May 1999 and 30 April 2000 | - | - |

| | Amount Provided | | Full Potential | |
|----------------------------|------------------------|--------------------|-----------------------|--------------------|
| | 30 Apr 00 £'000 | 30 Apr 99 £'000 | 30 Apr 00 £'000 | 30 Apr 99 £'000 |
| Asset timing differences | - | - | 3,372 | 3,896 |
| Taxation losses | - | (12) | - | (12) |
| Other timing differences | - | 128 | 128 | 128 |
| | - | 116 | 3,500 | 4,012 |
| Offset against surplus ACT | - | (116) | - | (539) |
| | - | - | 3,500 | 3,473 |

DANISCO FLEXIBLE LIMITED**NOTES ON THE ACCOUNTS**

| | | 30 Apr 00 | 30 Apr 99 |
|-----|--|------------------|------------------|
| | | £'000 | £'000 |
| 16) | Share Capital | | |
| | Authorised | | |
| | 15,719,011 Ordinary shares of £1 each | 15,719 | 15,719 |
| | | <hr/> | <hr/> |
| | Called-up and fully paid | | |
| | 15,719,011 Ordinary shares of £1 each | 15,719 | 15,719 |
| | | <hr/> | <hr/> |
| 17) | Special Reserve | | |
| | At 1 May 1999 and 30 April 2000 | 4,809 | 4,809 |
| | | <hr/> | <hr/> |
| 18) | Profit and Loss Account | | |
| | At 1 May 1999 | 3,085 | 227 |
| | Retained profit for the year | 6,799 | 2,858 |
| | | <hr/> | <hr/> |
| | At 30 April 2000 | 9,884 | 3,085 |
| | | <hr/> | <hr/> |
| 19) | Reconciliation of Movements in Equity Shareholders' Funds | | |
| | Opening equity shareholders' funds | 23,613 | 20,755 |
| | Retained profit for the year | 6,799 | 2,858 |
| | | <hr/> | <hr/> |
| | Closing equity shareholder's funds | 30,412 | 23,613 |
| | | <hr/> | <hr/> |
| 20) | Pension Schemes | | |

The parent company, Sidlaw Group Limited, operates on a group basis, a defined benefit pension scheme for the majority of employees. During the prior year, Sidlaw Group Limited merged its three defined benefit pension schemes for its UK employees into one.

The Scheme is administered by Trustees and its funds are separate from the Company. The fund is valued at least every three years by an independent qualified actuary and the total contributions are paid on the basis of this advice. The last actuarial valuations of the three schemes were as at 6 April 1998. The valuations used the projected unit method. The actuarial value of the assets in aggregate was £45.5 million, the actuarial value of which represented 4% in excess of the amount required to secure the accrued benefits calculated on the basis of service to the date of valuation, and projected pensionable earnings.

The principal actuarial assumption used in each valuation was that over the long term the annual rate of return on investments would exceed the annual rate of increase in pensionable remuneration by 3%.