

Amcor Flexibles UK Limited

**Directors' report and financial statements
for the year ended 30 June 2006**

Registered number 2808801



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Directors, officers and advisers

Directors

D Y Maitland
A Mawby (Resigned 30 June 2006)
G N S James (Resigned 30 June 2006)
I H A Gunn (Resigned 30 June 2006)
L R Hawkins (Resigned 30 June 2006)
G L G Blatrix (Appointed 30 June 2006)
D T Johnson (Appointed 30 June 2006)
A B Nicholls (Appointed 30 June 2006)
W J Westwood (Appointed 30 June 2006)

Secretary

S W James

Registered office

Hill House
1 Little New Street
London
EC4A 3TR

Auditors

KPMG LLP
100 Temple Street
Bristol
BS1 6AG
United Kingdom

Directors' report

The Directors present their annual report, together with the audited financial statements for the year ended 30 June 2006

Principal activities

The principal activity of the Company is the design, manufacture and printing of flexible packaging

Business review

	2006	2005 (Restated)
	£000	£000
<i>Key financial results</i>		
Turnover	212,160	211,295
Gross profit	38,114	39,856
Margin	18.0%	18.9%
Operating profit before exceptional costs	11,518	15,226
Exceptional costs (note 6)	(11,911)	(13,646)
Loss after taxation	(1,546)	(2,434)
<i>Key non-financial performance indicators</i>	Number	Number
Number of employees	1,427	1,410
Number of workplace accidents requiring medical treatment		
- with no loss of production time	24	32
- with loss of production time	6	9

The year to 30 June 2006 was a challenging year. Whilst turnover increased by £865,000, profit margins were adversely impacted by two main issues:

- Energy costs rose rapidly and substantially during the year. Measures were taken to minimise the impact, but total energy costs for the year were 48% higher than the previous year.
- Oil-based resin prices increased substantially during the first half, and whilst these had largely been recovered by the year-end, the lag on recovery had an adverse impact on the results for the year.

In addition, difficulties arose in the first half at the bread bag producing plants, with strong customer demand exceeding capacity. This eased in the second half, as new equipment purchased in 2005 became fully operational.

Competition continues to grow from overseas producers, particularly those based in countries where labour costs are comparatively lower than in the UK. To ensure that the Company's cost base and production capacity is appropriate to the developing marketplace, the Company undertook some substantial restructuring initiatives during the year:

- Following consultation with employees, the Company announced its intention to close its Colodense factory in Bristol. The closure is proceeding to plan. Production ceased in December 2006, and key items of equipment are being transferred to other Amcor sites outside the UK.
- A re-alignment of production capacity in Ilkeston, with the disposal of one printing press, and the acquisition of two others. Regrettably, there was also a reduction in the workforce.

The £10,397,000 anticipated cost of these initiatives has been included in the reported loss for the period as exceptional items. Also included in exceptional items is a provision for diminution in investments of £1,514,000.

The loss after taxation for the year was £1,546,000 (2005 Loss £2,434,000). The directors do not propose a dividend payment (2005 Nil).

Further details of risk factors affecting the company are reported in the accounts of Amcor Ltd (see note 28).

Research and Development

Research and development costs incurred during the year amounted to £1,384,000 (2005 £2,032,000). In accordance with the accounting policy described in note 1 to the financial statements, all costs have been included in the profit and loss account for the year.

Post balance sheet events

On 2 August 2006, the Company issued, to its parent, 45,000,000 new ordinary shares of £1 each. These were issued at par, and for a cash consideration. This enabled the Company to make an immediate £7 million payment into its defined benefit pension plan, and to significantly increase the level of on-going funding contributions. It is projected that the financing deficit of the pension plan will be eliminated within 5 years.

Accounting policies

These financial statements have been prepared under full adoption of FRS17 - Retirement Benefits. Prior year comparatives have been restated where appropriate, and the effects of this restatement are set out in note 23 to the financial statements.

Directors and directors' interests

The names of the directors appear on page 1.

None of the directors have any notifiable interest in the shares of the Company or other group companies.

Policy and practice on payment of creditors

It is the Company's 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 52 (2005 49) days of purchases from suppliers.

Employees

It is the policy of the Company to encourage the employment and development of suitable people with disabilities. No unnecessary limitations are placed on the type of work that they perform and the policy ensures that in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices. Full and fair consideration will be given to applicants with disabilities for employment and existing employees who become disabled will have the opportunity to retrain and continue in employment.

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.

Political and Charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £4,304 (2005 £3,159).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the Board



S W James

Secretary

Hill House
1 Little New Street
London
EC4A 3TR

20 April 2007

Statement of directors' responsibilities in respect of the directors' report and financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Amcor Flexibles UK Limited

We have audited the financial statements of Amcor Flexibles UK Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account the Balance Sheet the Statement of Total Recognised Gains and Losses and the related notes. 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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within.

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 judgments 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.

Independent auditors' report to the members of Amcor Flexibles UK Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditors

30 April 2007

Profit and loss account
for the year ended 30 June 2006

	<i>Note</i>	2006 £000	2005 (Restated) £000
Turnover	2	212,160	211,295
Cost of sales		(174,046)	(171,439)
Gross profit		38,114	39,856
Distribution expenses		(8,778)	(8,734)
Administration expenses		(27,695)	(22,161)
Operating profit before exceptional items		11,518	15,226
Exceptional expenses included in administration expenses	6	(9,877)	(6,265)
Operating profit	3-5	1,641	8 961
Amounts written off investments in subsidiaries	6	(1,514)	(7,381)
Loss on disposal of fixed asset	6	(520)	-
Interest receivable and similar income	7	92	142
Interest payable and similar charges	8	(822)	(725)
Other financing costs	22	(863)	(963)
(Loss) / profit on ordinary activities before taxation	3-5	(1,986)	34
Tax on loss / profit on ordinary activities	9	440	(2,468)
Loss for the financial year	19	(1,546)	(2 434)

All amounts relate to continuing operations

Balance sheet
as at 30 June 2006

	Note	2006 £000	2005 (Restated) £000
Non-current assets			
Goodwill	10	(932)	(1,088)
Intangible assets	10	15	98
Property, plant and equipment	11	59,198	59,526
Investments in subsidiaries	12	8,901	10,415
		<u>67,182</u>	<u>68,951</u>
Current assets			
Stocks	13	24,404	26,584
Debtors	14	45,753	49,399
Cash at bank and in hand		8,047	13,965
		<u>78,204</u>	<u>89,948</u>
Creditors amounts falling due within one year	15	<u>(101,544)</u>	<u>(117,485)</u>
Net current liabilities due within one year		<u>(23,340)</u>	<u>(27,537)</u>
Total assets less current liabilities		<u>43,842</u>	<u>41,414</u>
Provisions for liabilities	16	<u>(8,803)</u>	<u>(3,157)</u>
Net assets excluding pension liabilities		<u>35,039</u>	<u>38,257</u>
Pension liabilities	22	<u>(21,596)</u>	<u>(27,254)</u>
Net assets including pension liabilities		<u>13,443</u>	<u>11,003</u>
Capital and reserves			
Called-up share capital	18	15,719	15,719
Special reserve	19	-	4,809
Profit and loss account	19	(2,276)	(9,525)
Shareholders' funds	20	<u>13,443</u>	<u>11,003</u>

The financial statements were approved by the board of directors on 20 April 2007 and were signed on its behalf by



D Johnson
Director

Statement of total recognised gains and losses
for the year ended 30 June 2006

	<i>Note</i>	2006 £000	2005 £000
Loss for the financial year		(1,546)	(2,434)
Actuarial gain / (loss) recognised in the pension scheme		5,694	(7,650)
Movement on deferred tax relating to actuarial gain / loss		(1,708)	2 295
Total recognised gains and losses relating to the financial year		2,440	(7,789)
Prior year adjustment	23	(30,889)	
Total gains and losses recognised since last annual report		(28,449)	

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, except as noted below

In these financial statements the following new standards have been adopted for the first time

FRS 21 Events after the balance sheet date , and

FRS 28 Corresponding amounts'

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

Basis of preparation

The company's financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified by the revaluation of certain freehold and long leasehold properties

Under FRS 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

Investments

Investments held as fixed assets are stated at cost less provision for diminution in value

Turnover

Turnover is based on the invoiced value from the sale of goods, net of sales taxes and allowances. It is recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the customer

Goodwill

Purchased goodwill (both negative and positive) arising on business combinations in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Goodwill is amortised to nil by equal annual instalments over the estimated useful life of 20 years

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets, and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale

Tangible fixed assets

Freehold and long leasehold property is carried at cost until professionally valued and is then stated as valued at open market value on an existing use basis. The remaining fixed assets are stated at historical cost. In adopting FRS 15, the directors have elected to retain the current valuation and carry this forward as the value to be written off in future

Tangible fixed assets are stated at historical cost. The Company has applied the transitional rules contained in FRS 15 *Tangible fixed Assets* to retain previous valuations as the basis on which certain freehold and long leasehold property assets are held and to carry this forward as the value to be written off in the future

Notes (continued)

1 Accounting policies (continued)

Depreciation and amortisation

Depreciation is applied on a straight-line basis over the estimated economic lives of the assets. The rates applied are

Freehold and long leasehold property	2% per annum
Plant	7% per annum
Equipment, including computer equipment	20% - 33% per annum
Short leasehold property	Period of the lease
Capitalised development costs	20% per annum

Freehold land is not depreciated

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.

Government grants

Capital based government grants received are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful lives of the assets to which they relate.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can be foreseen with reasonable assurance.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leased assets

The rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Assets obtained under finance leases and hire purchase contracts are recorded in the balance sheet as tangible fixed assets and as an obligation to pay future rentals, the interest being charged to the profit and loss account on the annuity method.

Pensions

The company operates both a defined benefit scheme and a defined contribution scheme.

Defined benefit scheme

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Pensions *(continued)*

Defined contribution scheme

The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The assets of the scheme are held separately from those of the company in an independently administered fund.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the associated contractual arrangements. Where these contractual obligations are equivalent to a similar debt instrument, the financial instruments are classified as financial liabilities, and presented as such on the balance sheet.

Finance costs and gains or losses relating to financial instruments are included in the profit and loss account.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

2 Segmental information

	2006 £000	%	2005 (Restated) £000	%
Turnover				
Packaging	212,160	100	211,295	100
Profit before taxation				
Packaging				
Operating profit	1,641	100	8,961	100
Amounts written off investments in subsidiaries	(1,514)		(7,381)	
Loss on disposal of fixed asset	(520)		-	
Interest receivable and similar income	92		142	
Interest payable and similar charges	(822)		(725)	
Other financing costs	(863)		(963)	
	(1,986)		34	
Net assets				
All net assets are held in the UK				
Geographical analysis				
Turnover by destination				
United Kingdom	164,104	77	169,347	80
Overseas				
France	6,708	3	7,181	3
Netherlands	9,267	4	7,472	4
Germany	7,758	4	6,271	3
Belgium	4,866	3	3,278	2
Ireland	4,731	3	4,494	2
Spain	2,649	1	1,681	1
Italy	885	-	1,188	-
Scandinavia	2,252	1	2,330	1
Rest of Europe	2,984	1	1,849	1
USA	2,630	1	2,476	1
Philippines	1,456	1	1,103	1
Rest of World	1,870	1	2,625	1
	212,160	100	211,295	100
All turnover originates in the UK				
Operating profit				
United Kingdom	1,641	100	8,961	100

Notes (continued)

3 Profit on ordinary activities before taxation

	2006 £000	2005 £000
This is stated after charging / (crediting)		
Auditors remuneration	114	104
Auditors remuneration – non audit services	3	3
Depreciation of owned assets (see Note 11)	6,043	7,026
Impairment of fixed assets (see Notes 6 and 11)	828	4,156
Depreciation of leased assets (see Note 11)	-	29
Loss on disposal of fixed assets (see Note 6)	520	-
Amortisation of goodwill (see Note 10)	(156)	(156)
Amortisation of intangible assets (see Note 10)	6	32
Hire of plant and machinery – rentals payable under operating leases	588	651
Land and buildings – rentals payable under operating leases	920	918
Research and development	1,384	2 032

4 Employees

	2006 £000	2005 £000
Employee costs		
Wages and salaries	42,464	42,433
Social security costs	4,138	3,994
Pension costs	3,710	3,837
	<u>50,312</u>	<u>50 264</u>
Average number of employees	Number	Number
Packaging	<u>1,427</u>	<u>1 410</u>

Notes (continued)

5 Directors' remuneration

	2006 £000	2005 £000
Salaries and benefits	335	311
Pension contributions	21	28
Bonuses	96	68
	<u>452</u>	<u>407</u>
Remuneration of the highest paid director	<u>260</u>	<u>220</u>
Number of directors who Are members of a defined benefit pension scheme	<u>1</u>	<u>1</u>
At the year-end, the highest paid director is not a member of the defined benefit scheme		

6 Exceptional expenses

	2006 £000	2005 £000
<i>Operating expenses</i>		
Reorganisation of operations	9,049	2,109
Impairment of fixed assets	828	4,156
	<u>9,877</u>	<u>6,265</u>
<i>Non-operating expenses</i>		
Loss on disposal of fixed asset	520	-
Provision for diminution in value of investments	1,514	7,381
	<u>11,911</u>	<u>13,646</u>

In addition to the provision for diminution in value of investments exceptional expenses for the year comprise two main elements

- the closure of the Colodense factory in Bristol and
- the re-alignment of production capacity in one of the Ilkeston factories

In accordance with FRS12, the cost of these initiatives has been charged against the profits for the year, to the extent that the company had entered an irrevocable commitment by 30th June 2006. These include significant redundancies and asset impairment and disposal costs. Since the year end, costs of approximately £6 million have been incurred in the year to 30th June 2007.

7 Interest receivable and similar income

	2006 £000	2005 £000
Bank interest received	<u>92</u>	<u>142</u>

Notes (continued)

8 Interest payable and similar charges

	2006 £000	2005 £000
Bank interest paid	138	-
Interest payable on intercompany loans	684	725
	<u>822</u>	<u>725</u>

9 Taxation on profit on ordinary activities

Analysis of charge in year

	2006 £000	2005 (Restated) £000
<i>UK corporation tax</i>		
UK Corporation tax at 30% (2005 30%)	(347)	1,512
Adjustment in respect of prior years	(564)	-
	<u></u>	<u></u>
Total current tax	(911)	1,512
<i>Deferred tax charge</i>		
Origination and reversal of timing differences	336	956
Adjustment in respect of prior periods	135	-
	<u></u>	<u></u>
Total deferred tax	471	956
	<u></u>	<u></u>
Tax on profit on ordinary activities	440	2,468
	<u><u></u></u>	<u><u></u></u>

Notes (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the rate of corporation tax in the UK, 30% (2005 30%) The differences are explained below

	2006 £000	2005 (Restated) £000
(Loss) / profit on ordinary activities before tax	(1,986)	34
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(596)	10
<i>Effects of</i>		
Expenses not deductible for tax purposes	131	243
Capital allowances in excess of depreciation	509	(707)
Other short term timing differences	(845)	(249)
Provision for diminution in value of investments	454	2,215
Adjustment in respect of prior periods	(564)	-
Total current tax (credit) / charge	(911)	1,512

10 Goodwill and intangible assets

	Goodwill £000	Intangible assets - capitalised development costs £000
Cost		
At 1 July 2005	(1,556)	162
Disposals	-	(25)
Transfer to tangible fixed assets	-	(77)
At 30 June 2006	(1 556)	60
Amortisation		
At 1 July 2005	468	(64)
Charge for the period	156	(6)
Disposals	-	25
At 30 June 2006	624	(45)
Net book value		
At 30 June 2006	(932)	15
At 1 July 2005	(1,088)	98

Notes (continued)

11 Property, plant and equipment

	Freehold and long leasehold property £000	Plant and equipment £000	Total £000
<i>Cost or valuation</i>			
At 1 July 2005	13,573	112,765	126,338
Additions	809	6,588	7,397
Disposals	-	(2,719)	(2,719)
Transfer from capitalised development costs	-	77	77
At 30 June 2006	14,382	116,711	131,093
<i>Consisting of assets at</i>			
1991 valuation	2,758	-	2,758
Cost	11,624	116,711	128,335
	14,382	116,711	131,093
<i>Depreciation</i>			
At 1 July 2005	1,882	64,930	66,812
Charge for period	155	5,888	6,043
Impairment		828	828
Disposals	-	(1,788)	(1,788)
Transfer between categories	65	(65)	-
At 30 June 2006	2,102	69,793	71,895
<i>Net book value</i>			
At 30 June 2006	12,280	46,918	59,198
At 1 July 2005	11,691	47,835	59,526
Long leasehold	254		
Short leasehold	8		
Freehold	14,120		
	14,382		

The net book value of freehold land and buildings at 30 June 2006 includes a value for land of £4,456,000 (2005 £4,456,000) which is not depreciated

Notes (continued)

11 Property, plant and equipment (continued)

If properties were accounted for at historical cost rather than at valuation, these assets would be presented as follows

	2006 £000	2005 £000
Cost	12,282	11 473
Aggregate depreciation	(2,061)	(1,815)
	<hr/>	<hr/>
Net book value	10,221	9,658
	<hr/>	<hr/>

Assets at 1991 valuation relates to assets carried at re-valued amounts which have been retained under the transitional provisions set out in FRS 15 *Tangible fixed assets*

An impairment review has been performed by the directors over the carrying value of the assets held in the company

A comparison of the carrying value of fixed assets with its recoverable amount has been made. In calculating the recoverable amount the directors have based their cash flow forecasts on the actual cash flow for the year ended 30 June 2006 and the forecast for the five years thereafter. The directors of the company believe their estimate for the six years reflect a fair picture of the business. A discount rate (before inflation) of 8.5% has been used.

As a result, an impairment of £828 000 (2005 £4,156 000) has been charged against the operating results for the period

12 Investments in subsidiaries

	2006 £000	2005 £000
Subsidiary undertakings		
Cost	17,796	17,796
At 1 July 2005 and 30 June 2006	<hr/>	<hr/>
<i>Provision for diminution in value</i>		
At 1 July 2005	7,381	-
Charge for the period	1,514	7,381
	<hr/>	<hr/>
At 30 June 2006	8,895	7,381
	<hr/>	<hr/>
Net book value	8,901	10,415
	<hr/>	<hr/>

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Notes (continued)

12 Investments in subsidiaries (continued)

The subsidiary companies at 30 June 2006 were

	% Owned	Country of Registration	Nature of Business
S&R Gravure Limited	100	England	Dormant
Amcor Flexibles Winterbourne Ltd	100	England	Flexible Packaging

13 Stocks

	2006 £000	2005 £000
Raw materials	5,665	7,081
Work-in-progress	3,274	2,466
Finished goods	15,465	17,037
	<u>24,404</u>	<u>26,584</u>

14 Debtors

	2006 £000	2005 (Restated) £000
<i>Due within one year</i>		
Trade debtors	33,079	38,031
Due from other group entities	8,270	6,579
Other debtors	4,404	4,789
	<u>45,753</u>	<u>49,399</u>

15 Creditors: amounts falling due within one year

	2006 £000	2005 (Restated) £000
Bank borrowings	369	1,223
Trade creditors	25,721	27,226
Due to other group entities	57,572	67,519
Corporation tax	891	1,061
Other creditors	15,512	19,010
Accruals and deferred income	1,479	1,446
	<u>101,544</u>	<u>117,485</u>

Notes (continued)

16 Provisions for liabilities

	Balance at 1 July 2005 (Restated) £000	Charged to profit & loss account £000	Transfer to pension provision £000	Utilised £000	Balance at 30 June 2006 £000
<i>Due within one year</i>					
Restructuring provision	121	9,049	-	(2,890)	6,280
Customer claims provision	629	261	-	(336)	554
	<u>750</u>	<u>9,310</u>	<u>-</u>	<u>(3,226)</u>	<u>6,834</u>
<i>Due after one year</i>					
Property provision	1,175	-	-	(192)	983
Deferred tax	1,232	471	(717)	-	986
	<u>2,407</u>	<u>471</u>	<u>(717)</u>	<u>(192)</u>	<u>1,969</u>
	<u>3,157</u>	<u>9,781</u>	<u>(717)</u>	<u>(3,418)</u>	<u>8,803</u>

The property provision relates to ongoing leasing obligations on properties that are no longer required for operational purposes. Where possible, the properties are sub-let. The directors assess the adequacy of the provision annually, taking into account a number of factors, including likely dilapidation costs, and possible untenanted periods. The longest commitment expires during 2017.

17 Deferred taxation

	2006 £000	2005 (Restated) £000
<i>Provision for deferred taxation at 30% (2005: 30%) consists of the following amounts</i>		
Capital allowances in excess of depreciation	986	1,151
Other timing differences	-	81
	<u>986</u>	<u>1,232</u>

The movements during the year on deferred tax provided were

Balance at 1 July 2005	1,232	150
Current year charge	336	1,082
Prior year	135	-
Deferred tax on pension provision	(717)	-
	<u>986</u>	<u>1,232</u>

Notes (continued)

17 Deferred taxation (continued)

The company has accumulated tax losses carried forward at 30 June 2006 of £4,162,000 (2005 £4,041,000) in respect of which no deferred tax asset was recognised

18 Called-up share capital

	2006	2005
	No. of shares	No. of shares
Ordinary shares of £1 each		
Authorised at the start and at the end of the year	15,719,011	15,719,011
	<u>15,719,011</u>	<u>15,719,011</u>
Allotted, called-up and fully paid at the start and at the end of the year	15,719,011	15,719,011
	<u>15,719,011</u>	<u>15,719,011</u>

19 Reserves

	Special reserve £000	Profit & loss account £000
At beginning of year	4,809	21,364
Prior year adjustment (see Note 23)	-	(30,889)
	<u>4,809</u>	<u>(9,525)</u>
At 1 July 2005 (as restated)	4,809	(9,525)
Loss for the financial year	-	(1,546)
Actuarial gain on defined benefit pension fund	-	3,986
Appropriation within reserves	(4,809)	4,809
	<u>(4,809)</u>	<u>4,809</u>
At 30 June 2006	-	(2,276)
	<u>-</u>	<u>(2,276)</u>

The special reserve arose from the cancellation of the share premium account in 1995. During the year to 30th June 2005 the company paid all the creditors outstanding at the time of the cancellation.

20 Reconciliation of movement in shareholders' funds

	2006 £000	2005 (Restated) £000
Loss for the year	(1,546)	(2,434)
Actuarial gain / (loss) on defined benefit pension fund	5,694	(7,650)
Deferred tax on actuarial gain / loss	(1,708)	2,295
Shareholders' funds at beginning of year	11,003	18,792
(originally £41,892,000 restated for prior year adjustment of £30,889,000)	<u>13,443</u>	<u>11,003</u>
	<u>13,443</u>	<u>11,003</u>

Notes (continued)

21 Contingent liabilities

The company is party to a cross-guarantee arrangement with its parent company in respect of bank borrowings

As a member of the Amcor Group for VAT purposes, the company has joint and several liabilities for all amounts due to H M Revenue and Customs under this arrangement. The group continues to trade profitably and the directors do not foresee the crystallisation of any liability under this arrangement.

22 Pension schemes

Defined benefit scheme

The Group operates a defined benefit scheme in the UK (the Amcor Flexibles UK Final Salary Plan – 'the Plan'). A full actuarial valuation of the Plan was carried out as at 5 April 2004 and updated by the Actuary to 30 June 2006. The plan was closed to new entrants with effect from 1 October 2001.

The major assumptions used by the Actuary were

	30 June 2006	30 June 2005	30 June 2004
Rate of increase in salaries	4.40%	4.10%	4.00%
Rate of increase in pensions in payment and deferred pensions	2.90%	2.60%	2.50%
Discount rate applied to scheme liabilities	5.20%	5.00%	5.50%
Inflation assumption	2.90%	2.60%	2.50%

The assumptions are the best long-term estimates chosen from a range of possible actuarial assumptions. They may not necessarily be borne out in practice.

Plan assets and liabilities

The table below sets out the assumed long-term rate of return on the Plan assets. Different rates of return are assumed for the different asset classes. The assumed rates shown are net of investment expenses.

The fair value of the Plan's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the Plan's liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain, were

	30 June 2006		30 June 2005		30 June 2004	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	8.00	52,991	7.60	49,357	7.50	41,350
Gilts	4.50	26,495	4.10	22,697	4.75	19,310
Corporate Bonds	5.10	26,495	4.90	18,739	5.75	15,850
Total market value of assets		105,981		90,793		76,510
Present value of Plan liabilities		(136,832)		(129,727)		(107,782)
Deficit in the Plan		(30,851)		(38,934)		(31,272)
Related deferred tax asset		9,255		11,680		9,381
Net pension liability		(21,596)		(27,254)		(21,891)

Notes (continued)

22 Pension schemes (continued)

	2006 £000	2005 £000
Movement in deficit over the period		
Deficit in Plan at beginning of period	(38,934)	(31,272)
Current service cost	(2,896)	(2,643)
Contributions	6,148	3,594
Past service costs	-	-
Other finance costs	(863)	(963)
Actuarial gain / (loss)	5,694	(7,650)
	<u>(30,851)</u>	<u>(38,934)</u>
 Analysis of other pension costs charged in arriving at operating profit		
Current service cost	2,896	2,643
Past service cost	-	-
	<u>2,896</u>	<u>2,643</u>
 Analysis of amounts included in other finance costs		
Expected return on pension plan assets	5,652	4,991
Interest on pension plan liabilities	(6,515)	(5,954)
	<u>(863)</u>	<u>(963)</u>
 Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on plan assets	4,902	7,390
Experience gains and losses on plan assets	126	6
Changes in assumptions underlying the present value of plan assets	666	(15,046)
	<u>5,694</u>	<u>(7,650)</u>

Notes (continued)

22 Pension schemes (continued)

History of experience gains and losses	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount (£000)	4,902	7,390	2,127	(5,132)	(11,015)
Percentage of year end scheme assets	4.6	8.1	2.8	(7.7)	(16.3)
Experience gains and losses on scheme liabilities					
Amount (£000)	126	6	(2,138)	(103)	(233)
Percentage of year end present value of scheme liabilities	0.1	0.0	(2.0)	(0.1)	(0.3)
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	5,694	(7,650)	(6,043)	(13,435)	(11,248)
Percentage of year end present value of scheme liabilities	4.2	(5.9)	(5.6)	(14.5)	(14.0)

The company expects to pay approximately £15,600,000 in contributions to the defined benefit plan during the year to 30 June 2007

Defined contribution scheme

For employees who joined the company after 1 October 2001 the company operates a defined contribution scheme, to which it contributes between 4% and 12% of pensionable pay, according to age and seniority

The pension cost charge for the period represents contributions payable by the company to the scheme, and amounted to £814,000 (2005 £707,000)

There were no outstanding or prepaid contributions at the period-end

Notes (continued)

23 Prior year adjustment

As stated in the Directors' Report, the Company has adopted FRS17 in full in these financial statements. This has had the following impact on the accounts:

	2005 £000	2004 £000
Increase in operating profit	543	1,043
Inclusion of pension finance costs	(963)	(1,091)
Increase in taxation credit	126	14
	<u> </u>	<u> </u>
Increase in retained losses	(294)	(34)
	<u> </u>	<u> </u>
 Inclusion of pension liabilities	 (38,934)	 (31,272)
Increase in deferred tax debtor	13,238	10,816
Reversal of SSAP24 pension assets	(5,193)	(4,784)
	<u> </u>	<u> </u>
	(30,889)	(25,240)
	<u> </u>	<u> </u>

The impact of the prior year adjustment on net assets at 30 June 2005 represents the inclusion of the FRS17 pension scheme liability, net of deferred tax, of £27,254,000, and the reversal of the SSAP24 pension assets of £3,635,000 net of deferred tax.

The impact of the prior year adjustment on the profit and loss account for the year ended 30 June 2005 represents the inclusion of net pension charges and associated tax under FRS17 of £294,000.

24 Capital commitments

	2006 £000	2005 £000
Contracted but not provided for	430	2,098
	<u> </u>	<u> </u>

25 Commitments under operating leases

	Land and buildings		Plant and equipment	
	2006 £000	2005 £000	2006 £000	2005 £000
Annual commitments on leases expiring				
Within one year	30	30	54	73
Between two and five years	106	106	505	513
After five years	784	782	-	29
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	920	918	559	615
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The majority of leases of land and buildings are subject to rent review periods of five years.

Notes (continued)

26 Post balance sheet events

On 2 August 2006, the Company issued to its parent, 45,000,000 new ordinary shares of £1 each. These were issued at par and for a cash consideration. This enabled the Company to make an immediate £7 million payment into its defined benefit pension plan, and to significantly increase the level of on-going funding contributions. It is projected that the financing deficit of the pension plan will be eliminated within 5 years.

Subsequent to the year end, the Government announced that a change in the corporate tax rate from 30% to 28% would apply, in the case of the Company, for year ending 30 June 2008 and subsequent years. The legislation supporting this change had not been enacted at the date of signing the accounts. However, when this occurs, the Company will need to restate the deferred tax balances using the new rates.

27 Related party transactions

The company has taken advantage of the exemptions available to wholly owned subsidiaries under Financial Reporting Standard 8. Accordingly, disclosure is not made of related party transactions with the company's parent company or fellow subsidiaries. The consolidated financial statements of Amcor Flexibles A/S, within which this company is included, can be obtained from the address in note 28.

28 Ultimate parent company and parent undertaking of larger group of which the company is a member

The smallest and largest group in which the results of the company are consolidated is that headed by Amcor Limited incorporated in Australia. The consolidated accounts of this group are available to the public and may be obtained from Amcor Limited, 679 Victoria Street, Abbotsford, Victoria 3067, Australia.