COMPANIES FORM No. 155(6)(a)

G

CHWP000

Declaration in relation to assistance for the acquisition of shares

155(6)a

Please do not write in this margin

Pursuant to section 155(6) of the Companies Act 1985

Please complete legibly, preferably in black type, or bold block lettering

To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number: 00934139

Name of company

Note
Please read the notes on page 3 before completing this form

* S BLACK LIMITED

* Insert full name of company

Ø insert name(s) and address(es) of all the directors

I/We ø all the directors of the above company as set out in Schedule 1

† delete as appropriate

~~[the sole director][all the directors]† of the above company~~ do solemnly and sincerely declare that

The business of the company is

§ delete whichever is inappropriate

~~(a) that of a [recognised bank][licensed institution]† within the meaning of the Banking Act 1979§~~

~~(b) that of a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on insurance business in the United Kingdom§~~

(c) something other than the above§

The company is proposing to give financial assistance in connection with the acquisition of shares in the [company] ~~[company's holding company~~ ______ ~~Limited~~]†

The assistance is for the purpose of [that acquisition] ~~[reducing or discharging a liability incurred for the purpose of that acquisition]~~ †

The number and class of the shares acquired or to be acquired is 97,150 ordinary shares and 17,850 A ordinary shares

Presenter's name address and reference (if any)

O'Connors LLP
The Plaza
100 Old Hall Street
Liverpool L3 9QJ
Ref MOC

For official Use (02)
General Section

WEDNESDAY

TL

A4N9HUG1
A39 07/11/2007 57
COMPANIES HOUSE

*AB5U9U8K
A46 30/10/2007 293
COMPANIES HOUSE

The assistance is to be given to (note 2) the companies set out in Schedule 5

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The assistance will take the form of

See Schedule 2 and Schedule 4 ("Defined Terms")

The person who ~~[has acquired]~~[will acquire]† the share is

† delete as appropriate

Azelis Holding SA through its direct acquisition of the Company

The principal terms on which the assistance will be given are

See Schedule 3 and Schedule 4 ("Defined Terms")

The amount of cash to be transferred to the person assisted is £ shown on Schedule 6 attached

The value of any asset to be transferred to the person assisted is £ Nil

The date on which the assistance is to be given is within 8 weeks of the date hereof

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

* delete either (a) or (b) as appropriate

~~I~~/We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts (note 3)

(a) ~~I~~/We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date~~]~~* (note 3)

~~(b) [It is intended to commence the winding up of the company within 12 months of that date, and I/we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.]* (note 3)~~

And ~~I~~/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835

Declared at Francis House, 117 Hills Road, Cambridge, CB2 1PH

Declarants to sign below

on

Day	Month	Year
1 0	1 0	2 0 0 7

before me Clare Hodges

~~A Commissioner for Oaths or Notary Public or Justice of the Peace or~~ a Solicitor having the powers conferred on a Commissioner for Oaths

NOTES

1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985

2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given, if a recipient is a company the registered office address should be shown

3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985

4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form

5 The address for companies registered in England and Wales or Wales is -

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

DX 33050 Cardiff

or, for companies registered in Scotland -

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

DX 235 Edinburgh

or LP-4 Edinburgh 2

S Black Limited

Schedule 1 to the Statutory Declaration Form 155(6)(a) dated [10th October] 2007

George Ewart of The Old Rectory Scruton Northallerton North Yorkshire DL7 0QZ

Stanley Black of 5 Hazel Mead Arkley Barnet Hertfordshire EN5 3LP

Neil Leonard Berry of 42 Bloomfield Road Harpenden Hertfordshire AL5 4DB

John Benjamin Lowten of 315 Knightsfield, Welwyn Garden City, Hertfordshire, AL8 7NJ

Andrew Graeme Raybould of Lawns Farm Bungalow Boreham Road Little Waltham Chelmsford Essex CM3 3NF

Paul David Hardman of Howard House Chester Road Kelsall Tarporley Cheshire CW6 0RT

John Roger Tass of 4 Mill Croft, Bishop's Stortford Hertfordshire CM23 2BP

David Michael McCabe of Four Oaks 54 Howey Lane Frodsham Cheshire WA6 6DL

Peter Richard Fields of Yew Tree House High Street Norley Frodsham Cheshire WA6 8JS

S Black Limited

Schedule 2 to the Statutory Declaration Form 155(6)(a) dated [10/10] 2007

Capitalised terms used in this Schedule and not defined otherwise herein shall have the meaning assigned to them in Schedule 3

1. The execution, delivery and performance by the Company of its obligations under

1.1 an accession letter to the Senior Facilities Agreement and the Intercreditor Agreement to be entered into by the Company for the purpose of acceding to (i) the Senior Facilities Agreement as a borrower (under Facility A, the Acquisition Facility and the Revolving Facility, as defined therein) and as a guarantor, and to (ii) the Intercreditor Agreement as an Intra-Group Lender (as defined therein) (the "Accession Letter"),

1 2 a debenture to be entered into by the Company creating security in favour of the Security Agent over substantially all assets of the Company (the "Company Debenture"),

1 3 a loan agreement to be entered into by the Company creating a debenture as security in favour of the company over assets of Azelis Property (UK) Limited,

1 4 a subordination deed to be entered into between Azelis Property (UK) Limited (1) Fortis Bank S A /N.V (2) and the Company (3) (the "Subordination Deed"),

1 5 a deed of priority to be entered into between Fortis Bank S A /N.V. (1) the Company (2) and Azelis Property (UK) Limited (3) (the "Deed of Priority").

(each of those documents being in such form as may be amended, supplemented, novated and/or replaced from time to time) together with the performance by the Company of other acts in connection with the acquisition of the shares and the financing of that acquisition

S Black Limited

Schedule 3 to the Statutory Declaration Form 155(6)(a) dated [10|10] 2007

Capitalised terms used in this Schedule and not defined otherwise herein or in Schedule 1 shall have the meaning assigned to them in Schedule 4.

1 By executing the Accession Letter, the Company will, among other things, agree to

1 1 guarantee all of the liabilities of LuxCo I, and each other borrower and guarantor under and in respect of the Senior Facilities Agreement and the other Finance Documents referred to therein,

1 2 subordinate any claims that the Company has against any member of the parent group (including LuxCo I) to which it has made or from time to time will make any loan or other extension of credit, and

1 3 indemnify the Lenders (as defined in the Senior Facilities Agreement) and the Security Agent for certain costs, claims, expenses and liabilities under the Intercreditor Agreement.

2 By executing the Company Debenture the Company will.

2.1 grant an indemnity to the Security Agent and any Receiver appointed to be its attorney in respect of certain costs, expenses, liabilities and losses incurred,

2.2 covenant to pay all obligations owed by each Obligor to the Security Agent or the Finance Parties (or any of them) under or pursuant to the Finance Documents, whether present or future, actual or contingent (and whether incurred by such Obligor alone or jointly, and whether as principal or surety or in some other capacity) and all obligations owed by each Obligor to the Security Agent or the Finance Parties (or any of them) under or pursuant to the Parallel Debt (as such terms are defined in the Company Debenture);

2.3 with full title guarantee as continuing security for the payment of the Secured Obligations

2 3 1 charge in favour of the Security Agent by way of first fixed charge (which so far as it relates to land in England and Wales vested in the Company at the date of the Company Debenture shall be a charge by way of legal mortgage) each of the following

(a) the Real Property,

(b) the Tangible Moveable Property to the extent not attached to the Real Property as fixtures,

(c) the Shares;

(d) the Accounts,

(e) the Intellectual Property,

(f) the Investments (to the extent not assigned under the Company Debenture;

(g) the Company's present and future goodwill,

(h) the Company's present and future uncalled capital;

(i) all present and future permissions, consents and authorisations (statutory or otherwise) held in connection with its business, and

(j) any beneficial interest, claim or entitlement which the Company may have at the date of the Company Debenture or from time to time thereafter to any assets of any pension fund,

2.3 2 assign to the Security Agent all the Company's right, title and interest in and to:

(a) the Investments where its rights are contractual rights,

(b) the Book and Other Debts,

(c) the Insurance Policies, and

(d) the Relevant Agreements,

2 3 3 charge in favour of the Security Agent by way of first floating charge the whole of the Company's undertaking and assets, present and future not otherwise effectively charged to the Security Agent,

(where "Secured Obligations", "Real Property", "Tangible Moveable Property", "Shares", "Accounts", "Intellectual Property", "Investments", "Book Debts", "Other Debts", "Insurance Policies" and "Relevant Agreements" have the meanings given to them in the Company Debenture), and

2 4 covenant that, without prior consent of the Security Agent, it shall not create or permit to subsist any Security over all or any part of the Charged Property (each as defined in the Company Debenture) other than the Security arising by virtue of the Company Debenture and that it shall not assign, transfer or otherwise dispose of all or any of the Charged Property (as defined in the Company Debenture)

3 The Company Debenture contains a covenant for further assurances and shall remain in full force and effect as a continuing security for the Secured Obligations until the Discharge Date (as such terms are defined in the Company Debenture) and shall not be released before then by any intermediate payment or satisfaction of all or any of the Secured Obligations or for any other reason

4. By executing the Loan Agreement the Company agrees to lend to AP (UK) the sum of £1,655,500 on the following terms -

4 1 Interest rate of 0 85% per annum above LIBOR;

4 2 Interest to accrue and to be added to the principal loan amount,

4 3 Annual Rests every 12 months, interest amount for the year will be capitalised,

4 4 3 year term,

4 5 No early repayment penalties

5 By entering the Subordination Deed and Deed of Priority the Company is agreeing that it shall not demand or accept payment from AP(UK) until Fortis Bank S A /N V has been repaid in full and that the Company is to be registered as a second charge holder at the Land Registry and Companies House and agreeing that the Company's interests rank behind the interests of Fortis Bank S A /N.V who are providing a loan to AP (UK) in order to purchase the Property.

S Black Limited

Schedule 4 to the Statutory Declaration Form 155(6)(a) dated [.10|6.] 2007

1 Defined terms

1 1 In this Statutory Declaration and the attached Schedules:

"Agent" means Dresdner Bank AG, Niederlassung Luxemburg

"Intercreditor Agreement" means the intercreditor agreement dated 31 January 2007 between, amongst others, the parties to the Senior Facilities Agreement.

"Security Agent" means Dresdner Bank AG, Niederlassung Luxemburg.

"Senior Facilities Agreement" means the senior facilities agreement (in an amount of up to approximately EUR 360,000,000) dated 31 January 2007 (as amended by amendment agreements relating thereto dated 27 February 2007 and on or about 24 April 2007) between, amongst others, LuxCo I as original borrower and certain of its subsidiaries as original borrowers and original guarantors, Dresdner *Kleinwort, the Investment Banking Division of Dresdner Bank AG, as mandated* lead arranger, Mizuho Corporate Bank, Ltd as joint mandated lead arranger, Dresdner Bank AG, London Branch and Mizuho Corporate Bank, Ltd as original lenders, Dresdner Bank AG, London Branch as issuing bank, the Agent and the Security Agent.

S Black Limited

Schedule 5 to the Statutory Declaration Form 155(6)(a) dated [10|10] 2007

Azelis Holding S A having its address at 20 rue de la Poste, L-2346 Luxembourg, Grand Duchy of Luxembourg, RCS Luxembourg B 122714 ("LuxCo 1")

Azelis Property (UK) Limited of Alexandra House, Crown Gate, Runcorn, Cheshire WA7 2UP

Dresdner Bank AG (as Agent & Security Agent) of Neiderlassung, Luxembourg 6A routede Treves, L-2633, Senningberg, Luxembourg,

Fortis Bank S A /N V of Camomile Court, 23 Camomile Street, London EC3A TPP

Mills & Reeve LLP of Francis House, 112 Hills Road, Cambridge CB2 1PA

HMRC of SDLT Netherton Merseyside L30 4RN

S Black Limited

Schedule 6 to the Statutory Declaration Form 155(6)(a) dated [10|10] 2007

The sum of £14,438 38 in relation to Mills & Reeves LLP fees plus disbursements

The sum of £58,432 00 payable to HMRC in relation to a Stamp Duty Land Tax payment

KPMG

KPMG LLP
Aquis Court
31 Fishpool Street
St Albans AL3 4RF
United Kingdom

Tel +44 (0) 1727 733000
Fax +44 (0) 1727 733001
DX 146480 St Albans 19

The Directors
S Black Limited
Foxholes Business Park
John Tate Road
Hertford
Herts , SG13 7YH

Our ref mrw/kd/134

Contact Mike Woodward
01727 733020

10 October 2007

Dear Sirs

Auditors' report to the directors of S Black Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 10 October 2007 in connection with the proposal that the company should give financial assistance for the purchase of its shares by Azelis Holdings SA

This report is made solely to the company's directors as a body in accordance with section 156(4) of the Companies Act 1985 Our work has been undertaken so that we as the company's auditors might state to the company's directors those matters we are required to state to them in a report under section 156(4) of that Act 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 directors as a body for our work under section 156(4) of that Act or for this report

We have enquired into the state of the company's affairs in order to review the bases for the statutory declaration

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances

Yours faithfully

KPMG LLP

KPMG LLP
Registered Auditor

S. Black Limited

Board memorandum on working capital

10 October 2007

This report contains 22 pages

Contents

1 Introduction

1 1 Purpose of memorandum

1 1 1 This board memorandum is given in connection with the proposed arrangements whereby S Black Limited ("SBL") will give financial assistance for the purchase of its shares by Azelis Holding SA ("Azelis"), particulars of which are given in the statutory statements by the directors on the same date as this board memorandum pursuant to section 155(6) of the Companies Act 1985

1 1 2 This board memorandum summarises the projections of SBL for the period to 30 June 2009 to enable the directors to determine whether it is appropriate for SBL to give financial assistance for the purchase of its shares by Azelis The memorandum summarises those projections and provides details of facilities, headroom and sensitivities

1 2 Financial assistance

1 2 1 The proposed financial assistance is to be in the form of an uncommitted acquisition facility of €40 million and a €4 million draw down on group revolver facility (supplied by 7 banks as part of a syndicate) over a 7 year term to be provided by Dresdner Bank AG for the purpose of the purchase of its shares by Azelis noted above in section 1 1 1 The total facilities provided by Dresdner Bank AG to Azelis Holdings S A are part of the senior facilities agreement dated 31 January 2007, as amended by amendment agreements dated 27 February 2007 and 24 April 2007

1 2 2 In addition, to the above, SBL will sell the freehold land and buildings at John Tate Road, Foxholes Business Park, Herts for £5 4m to a Special Purpose Vehicle (SPV), Azelis Property (UK) Limited (SPV), which is outside of the Azelis Group structure The purchase will be funded using a 75% loan from Fortis Bank with the outstanding balance being funded by way of a loan from SBL SBL will take a 20 year leaseback from the SPV The sale and leaseback takes place prior to completion of the share purchase

1 2 3 Under Section 155(2) of the Act a private company may give financial assistance to a third party for the acquisition of its own shares only if the company has net assets which are not thereby reduced or, to the extent that they are reduced, if the assistance is provided out of distributable profits

1 2 4 The directors of a private company proposing to give financial assistance are required to make a statutory declaration This declaration deals with the solvency of the company and relates to the expected position immediately after the financial assistance is proposed to be given and for a period of at least twelve months ahead

1 2 5 The solvency test requires a company to be able to meet its liabilities as they fall due It also includes a specific balance sheet test which requires that the company's assets should be not less than the amount of the liabilities taking into account contingent and prospective liabilities The directors must consider both whether these tests are satisfied immediately after the financial assistance is proposed to be given and, also, over the 12 months from the date of completion

1 2 6 The purpose of this board memorandum is to summarise all information available to the directors at the date of this memorandum which is relevant to the statutory declarations No account is taken of any events occurring or information arising after that date which may have an impact on the profit or cash forecasts of SBL

1 2 7 In order to consider whether SBL meets the required solvency test, the directors have prepared forecasts covering the period ending 30 June 2009

1 2 8 The balance sheet of SBL at the most recent practicable date, is set out in section 6 1 1 to indicate whether the company meets the net assets test The most recent management accounts available are for the period to 31 July 2007

2 Forecasting process

2 1 Basis of preparation

Basis of preparation of projections

2 1 1 The projections prepared by the directors, and included in this report, relate to SBL

2 1 2 The projections are derived from the budget for the year ending 30 June 2008 and the projection for the two years to 30 June 2010, both of which were adopted by the Board on 28 June 2007 The directors consider that the forecasts represent their best estimate of future trading prospects and consider them to be realistic

2 1 3 The projections have been prepared in the management accounts format In order to be consistent the historic results have also been included in the same format

2 1 4 The projections are the sole responsibility of the directors of the company

Accounting policies

2 1 5 The accounting policies used in the preparation of the forecasts are in accordance with the stated accounting policies of SBL

2 2 Key assumptions

2 2 1 The principal general assumptions are set out below Specific assumptions relating to cash flow, sales, margins, profitability and working capital and are set out in sections 3, 4 and 5

2 2 2 The projections assume that the purchase of SBL's shares by Azelis takes place in late September 2007/early October 2007

2 2 3 The general assumptions are as follows

- Except where stated, the general pattern and phasing of business will be similar to that experienced in previous years
- Generally, exchange rates are assumed to be materially unchanged from current levels throughout the budget year
- Unless otherwise specified, for material items the general level of inflation is assumed to be similar to the present Where appropriate, costs have been increased over current levels to reflect the budgeted higher turnover
- In the UK, the interest on deposits is 4 25% throughout

3 Projected cash flows

3 1 1 A summary of the cash flow projections for SBL compared with those for the two full prior years ended 30 June are shown in the table below These are based on the projected profit and loss accounts, the projected balance sheets and the transactions associated with the proposed financing

Cash flow projections

	Year ended 30 June 2006 Actual - audited £000	Year ended 30 June 2007 Actual – unaudited £000	Year ending 30 June 2008 Projected £000	Year ending 30 June 2009 Projected £000
PBIT	1,762	2,648	4,530	2,867
Depreciation and amortisation	469	490	438	403
Profit/loss on sale of fixed assets	(39)	3	(1,875)	-
Change in working capital	(121)	140	(2,178)	(899)
Operating cashflow	2,071	3,281	915	2,371
Returns on investments	(31)	(24)	(14)	100
Taxation	(514)	(673)	(735)	(1,580)
Capital expenditure (net)	(390)	(366)	3,244	(550)
Goodwill	(40)	-	-	-
Equity dividends	(915)	(915)	-	-
Special dividend to 3i	-	-	(1,200)	-
Movement in cash	181	1,303	2,210	341
Cash brought forward	2,412	2,593	3,896	6,106
Cash carried forward	2,593	3,896	6,106	6,447

Source management accounts, budget for year to 30 June 2008, forecast for 2 years to 30 June 2010, share purchase agreement dated 10 August 2007

3 2 Facilities

Summary of refinancing

3 2 1 Azelis is obtaining financing, as set out below, to enable it to (a) purchase the ordinary shares held by SBL shareholders and (b) purchase the ordinary shares held by 3i shareholders

	£000
Sources of funds (received from Dresdner via Azelis)	
Dresdner Bank AG uncommitted acquisition facility (€40,000,000 @ exchange rate of 1 44)	27,697
Syndicate revolver facility drawdown (€4,000,000 @ exchange rate of 1 44)	2,770
	30,467
Utilisation of funds	
Redemption of ordinary shares held by SBL	23,578
Redemption of preference shares held by 3i	3,892
Payment held in a retention account (escrow)	2,702
Costs and disbursements	295
	30,467
Source O'Connors LLP	

3 2 2 The following facilities are to be provided by Dresdner Bank AG Bank

- €40 million uncommitted acquisition facility, and
- €4 million draw down on revolver credit facility

Both facilities will attract interest at 1 75% above Euribor with interest accruing (not paid) until the loan redemption in 7 years The debt will require servicing by SBL and the interest is assumed to attract corporation tax relief

Utilisation of funds

3 2 3 The proceeds of the €40 million uncommitted acquisition facility loan and the €4 million drawdown on the Azelis revolver credit facility will be utilised to purchase its shares by Azelis Holding SA ("Azelis")

In addition to the above, SBL will sell the freehold land and building at John Tate Road, Foxholes Business Park, Herts to a Special Purpose Vehicle (SPV), Azelis Property (UK) Limited (SPV), which is outside of the Azelis Group structure

The purchase price is £5 4m (full open market value) The SPV will be funded using a 75% loan from Fortis Bank with the outstanding balance being funded by way of loan from SBL (this loan will also cover legal costs and disbursements (SDLT and Land Registry))

SBL will take a 20 year leaseback, with no break clauses, from the SPV at starting rent of £330,300 per annum

Loan from SBL to SPV will be as follows

- Loan from SBL approximately £1 655m
- Interest rate of 0 85% per annum above LIBOR
- Interest to accrue and to be added to the principal loan amount
- Annual rests
- 3 year term (same as the Fortis Bank mortgage)
- No early repayment penalties on the vendor loan payable to SBL

This arrangement mirrors the Fortis Bank loan on length of term and interest rate

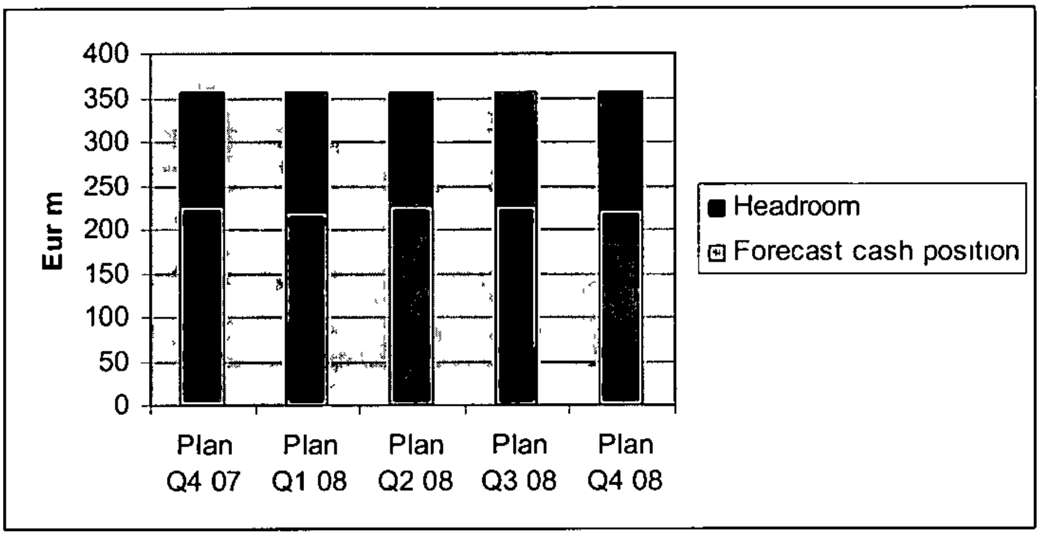
The sale and leaseback takes place prior to completion of the share purchase Once the share purchase has completed, the proceeds raised by the sale of the freehold will allow the Azelis group to fund other acquisitions in Europe

The net impact for SBL will be an annual interest income of £107,300 due from the SPV but this will not be a cash inflow The income will assist in offsetting the annual rental payable to the SPV of £330,000 which will be a real cash outflow, subject to net tax relief as applicable

Forecast headroom

3 2 4 Based on information provided by Azelis to SBL management, the graph below summarises the forecast quarter end funding requirement for each of the quarters ending quarter 4 2008, together with the available headroom

Comparison of forecast cash flows with available facilities



Peak borrowing requirements

3 2 5 From the date of completion to 31 December 2008, the minimum headroom forecast is £130m

Conclusion

3 2 6 In summary the directors consider, on the basis of the projections, that the business will have sufficient facilities in order to pay its debts as they fall due for at least twelve months from the date financial assistance is given

4 Projected profit and loss accounts

4.1 Summary profit and loss accounts

4 1 1 A summary of the profit and loss account projections for SBL, compared with the two prior years ended 30 June are shown below

Profit and loss account projections

	Year ended 30 June 2006 Actual – audited £000	Year ended 30 June 2007 Actual – unaudited £000	Year ending 30 June 2008 Projections £000	Year ending 30 June 2009 Projections £000
Turnover	29,530	35,082	39,923	42,959
Cost of sales	(22,652)	(26,497)	(30,786)	(33,231)
Gross profit	6,878	8,585	9,137	9,728
Miscellaneous income	33	33	34	34
Overheads	(5,149)	(5,970)	(6,516)	(6,895)
Profit on sale of fixed assets	-	-	1,875	-
PBIT	1,762	2,648	4,530	2,867
Interest (net)	143	149	103	100
Profit before tax	1,905	2,797	4,633	2,967
Current taxation	(599)	(915)	(1,578)	(864)
Profit after tax	1,306	1,882	3,055	2,103
Dividends	(1,089)	(1,089)	(1,244)	-
Retained profit	217	793	1,811	2,103
Gross profit/%	*23%*	*24%*	*23%*	*23%*

Source management accounts, budget for year to 30 June 2008, forecast for 2 years to 30 June 2010, share purchase agreement dated 10 August 2007

4 1 2 Sales and margins for the year to 30 June 2008
Sales and gross margin for the budget period were projected on a major product/customer combination format based on actual sales for the 10 months to 30 April 2007 This process is designed to establish the level of confidence we have in our existing major business and the understanding of key accounts

Overall the gross margin percentage is budgeted at 25 1%, which compares to 2006/2007 pro-rata gross margin figure of 26 3% The gross margin stated reflects the total changes and new business opportunities forecast During 2007/08 we forecast a significant sales increase in Fragrance Ingredients and Food business and these are the sectors where lower margins are typically achievable

Personal Care
Overall the personal care budget shows a predicted sales growth of £2 15m (+8 2%) on the pro-rata sales expectation for 2006-7 Gross margins are forecast as stable at 26 5% The major customer assumptions made in the PC sector are as follows

a) Business at COSi remains stable at 2006-07 levels On-going concerns with COSi regarding payment schedules which are under close and constant scrutiny Significant additional opportunities have been identified at COSi, but have not been included in the budget due to their credit exposure concerns COSi themselves are in the process of a major manufacturing overhaul which will reduce their overheads by consolidation of two factory sites into their main site at Maesteg This is anticipated to improve their cash flow position and will enable exploitation of further growth with COSi in the medium to long term
b) Boots - significant change has occurred at Boots over the last year with the sale of their topical healthcare business to Reckitt Benckiser and the associated movement in manufacturing of certain lines to alternative Reckitt Benckiser sites around Europe It has been impossible as yet to quantify the degree of exposure we face in this regard, but our budget predictions are made on the basis that, if any business was to exit, Boots UK would compensate with additional contract manufacture in their existing facilities which would compensate SB for any potential business loss Additionally and more importantly at Boots we have established a major new business with three Silicones (DC9040, DC345 Fluid and DC5225C) which are incorporated into their immensely successful product Boots No 7 Protect and Perfect
c) Vivalis (formerly Constance Carroll) have announced the planned closure of their production facilities in the UK in order to import finished product from the Far East We have budgeted a 50% reduction in our annual Vivalis sales for the budget year in question
d) We have assumed that Body Shop manufacture will remain within the current contract manufacturers used by the Body Shop and that our business will for the period in question be unaffected by any consolidation of Body Shop business within the L'Oreal Group
e) We have also assumed that the Kao Brands silicone business that exists at several UK contract manufacturers (mainly PBB) will remain via SBL , despite global pressures from Kao Brands to gain direct supply from DC

With respect to our key personal care suppliers, comments of note are as follows

a) Dow Corning – in addition to the success at Boots mentioned above, we have also established a major additional business at Alberto Culver in their new conditioner formulation base which will be used for both the re-launch of Tresemme and Alberto Culver VO5 during the current year This will generate a demand of approximately 400 tonnes p a of the new silicone blend CF-0008
b) Merck – business with Merck products remains strong across both the colour pigment and the actives sector BASF's acquisition of Engelhard has produced supply issues with the Engelhard pigment range which is producing new opportunities of SB/Merck

c) Pentapharm – across the Group Pentapharm are an important supplier with good business in the UK and Germany Opportunities are also being sought to extend relationships to Central and Eastern Europe Pentapharm are, however, in the process of sale, but information to date indicates that our position as channel partner in the areas of interest should remain unaffected
d) No major suppliers are forecast to be lost during the budget year 2007-8 Growth in the personal sector still anticipated across a wide diversity of products and suppliers

Food

Overall the Food Business Unit (now excluding Fragrance Ingredients) shows a budgeted sales growth of £1 1m (26 6%) over the pro-rata sales expectation for 2006-07 The gross margin percentage decreases from 26 8% to 21 1% but this is partly offset by lower storage and transport costs as we exit the frozen herbs business with Daregal The other major contributing factor is the addition of new high volume, low value business with Sensus (see below)

There has been a major change in the Food Business Unit during the last 12 months which has resulted in a re-structured Sales and Technical Team supporting a business which is now focussed principally on nutritional, functional and flavour systems application areas

The business is in the process of exiting from the frozen herb sector in which we have worked with Daregal over the last 4 years and experienced decreasing profitability and increasing complexity of frozen storage and delivery The majority of our frozen herb customers have already been transferred to Daregal Gourmet Ltd with only 3 key accounts being supported into the next budget year We will finally exit our business relationship with Daregal after the contract with Baxters closes at the end of 2007

We also budget downturns in sales for Firmenich where we have exited the food flavour business, but anticipate maintaining the nutritional/healthcare accounts and also the specialist beverage company, Rubicon Preliminary discussions are scheduled with IFF to establish an alternative supplier for food flavours

Our relationship with McIlhenny and the supply of Tabasco sauce is also in the process of evolution McIlhenny have re-structured so that each country's business now on the industrial Tabasco side will pass through the local retail/food service business It is anticipated that we will continue to sell industrial quantities of Tabasco sauce in the UK in relationship with G Costa who are responsible for retail supply Our sales to export market will, however, be lost during early 2008

On the positive side, we are not anticipating any major changes in our existing key accounts list and do expect a further expansion of our food accounts during the budget year By supplier we see the major growth areas being as follows

a) CP Kelco – having established the food sector CP Kelco business in April 2006, this has continued to expand during the last 12 months CP Kelco now intend to transfer additional accounts to S Black during the next year resulting in an anticipated 100% growth of our existing CPK business in the food sector
b) Sensus – starting from the 1st July 2007 we will be working on behalf of Sensus in the supply of Inulin to the UK market Business is being transferred to us from their previous partner (Calleva) and we will also receive commission on direct full container business from Sensus into UK key accounts

c) Futureceuticals – alongside activities with the healthcare sales team we have already identified in the first months of working with Futureceuticals some major product requirements for their Natural Vitamin C which have been budgeted accordingly
d) Denomega – activities already established to promote Denomega's range of Omega 3 are anticipated to bear fruit during the budget year
e) Haco is another new supplier to the SB Food Group where a combination of business transfer and new developments will be seen during the budget period
f) Muntons – our supplier of Malt products for the last 18 months will show significant growth due to the success of malt supply into the Bisto range of RHM

Healthcare

Overall the healthcare budget shows a sales increase of £0 95m (43%) The high growth rate continues to reflect the level of development groundwork already in place and the fact that no significant losses in any business area are forecast within our healthcare suppliers There are several suppliers where very positive growth is anticipated including the following

a) Chemfields – a new supplier to SB during 2007 of Microcrystalline Cellulose Major projects are already in progress with anticipated results this year Gross margins on this product are, unfortunately, low and do impact the overall HC margin percentage
b) Dow Corning Healthcare maintains the position of number 1 supplier to the Healthcare Group and growth again expected at a 10%+ rate on last year
c) Firmenich continues to be a successful supplier for us in the healthcare arena Major new product opportunities have been established with the customer Norgine which should start to contribute during the budget year 2007-8
d) Futureceuticals – the product range of Futureceuticals will give many new opportunities in the nutraceutical sector during the year and first business is anticipated shortly
e) Omniactive, another nutraceutical supplier where progress is being made specifically in the area of Lutein and Natural Caffeine

Activities in the healthcare sector have been increased in the last few months by an additional nutraceutical focussed Technical Sales Manager Activity levels in both the nutraceutical and the API sector are establishing projects which should continue to fuel growth over the next 3-5 years

Fragrance Ingredients

Established as a separate business unit at the start of 2007, the Fragrance Ingredients business is set to grow significantly by £1 5m (108%) This growth is fuelled by the presence of two major new suppliers that have been attracted during the early part of 2007

a) IFF – our business relationship with IFF commenced regarding sales on 1st April 2007 SB will be responsible for IFF sales not only into the UK, but also into Northern European territories

b) Firmenich – a new contract has just been established with Firmenich to also represent their business in the UK This will be extended to Northern European countries from January 2008

Both IFF and Firmenich have transferred significant established business into SB which will be seen during the 2007-8 budgetary period and will be a focus for future growth in the years ahead In order to sustain this business and to grow further, SBL will be recruiting additional Fragrance Ingredients sales specialists in both Continental Europe and in the UK

Outside of the new suppliers our own brand fragrance ingredients business has grown significantly during 2006-7 and is expected to continue this growth with the activities outside of the UK being a major factor in our abilities to grow further

The gross margin is budgeted to grow slightly from 15 3% to n17 2% as the business with both IFF and Firmenich specialities is expected to generate higher returns than recently achieved with own brand oriental products

4 1 3 Sales and margins for the two years to 30 June 2010

Personal Care
It is forecast that there is a 3 5% growth over the 2 year period This results from a typical organic growth rate achieved of 7% but with an associated ongoing erosion of historic business There are, however, some major adjustments/concerns to be borne in mind as follows

Boots – the significant growth in 07/08 with the Protect and Perfect product is unlikely to continue at the same levels post launch We do envisage, however, a stabilisation and continued utilisation of the silicones concerned Sales circa £2M were incorporated into the 07/08 budget year, which were reduced to circa £1M for the subsequent year's forecast

Procter & Gamble have already announced the planned transfer of skincare manufacture from Nenagh, Ireland to Poland at the end of 2008 P &G will utilise the Nenagh facility to focus on colour cosmetics Whilst we can identify ca £300,000 of business which will transfer to Poland and recognise that a proportion of that we will not be able to follow, we cannot identify how much growth in colour cosmetics business there could be in Ireland to compensate

Body Shop business is assumed to remain at the current UK contractors over the forecast periods It is known that the COSi contract with Body Shop expires in April 2008 There is a risk that L'Oreal could bring in-house or transfer outside of the UK a proportion of the Body Shop business

Vivalis (Constance Carroll) is expected to cease all manufacture in the UK by the end 2008/09

Food
The On-going assumption is organic growth 14% year on year after the removal of the remaining Daregal business It is assumed that during 2008/09 all suppliers remain and no major new suppliers are added In 2009/10 it is anticipated that an additional supplier will be attracted creating the additional growth indicated

Fragrance Ingredients
There will be a major step change on Fragrance Ingredients is during 2007/08 when significant business and investment in sales personnel will have taken place This will stimulate further opportunities for our major suppliers and also our own brand

products There is a possibility that Givaudan can also be attracted to our mix in the Northern European territories It is forecast that all suppliers remain stable and none are lost

Healthcare
It is assumed that no major suppliers are lost and continued conversion of pipeline projects with nutraceuticals and APIs occurs Growth rates, therefore, pretty much in line with historic levels

With respect to margin assumptions, overall margin erosion is expected over the 3 year period This is pretty much dependent on the competitive product mix that occurs over the time period The major factors/comments are as follows

- PC margins in all geographic areas are largely stable We do face increasing global account competitive pressures on key high volume items which makes margin protection more difficult Actions taken on an ongoing basis to maintain margins across the entire customer and product mix have maintained the current margin levels on a long term historic basis and we expect a healthy balance to be achieved in the future
- Food margins are predicted to fall between 06/07 and 07/08 and then recover slightly This reflects the known supplier and product movements anticipated in that period Because we are exiting from the frozen herbs business we will have an associated reduction in frozen storage and transport costs which will ensure a growth in contribution from the new product mix
- FI margins are forecast to improve over the period This reflects the establishment of new speciality business from IFF and Firmenich
- HC margins are forecast to decline according to the business growth expected with high volume API's and specific nutraceuticals (particularly from Enzymotec) where the agreed return is lower than our average margins in this sector

4 1 4 Overheads are analysed below

Analysis of overheads

	Year ended 30 June 2006 Actual - audited	Year ended 30 June 2007 Actual - unaudited	Year ended 30 June 2008 Projections	Year ended 30 June 2009 Projections
	£000	£000	£000	£000
Staff costs	3,713	4,342	4,681	4,906
Property costs	459	547	805	822
Equipment costs	317	350	421	483
Communications costs	180	159	173	184
Marketing costs	72	101	168	181
Financial costs	408	471	268	319
	5,149	5,970	6,516	6,895

Source management accounts, budget for year to 30 June 2008, forecast for 2 years to 30 June 2010, share purchase agreement dated 10 August 2007

4 1 5 Overheads for the year to 30 June 2008

Staff related costs
The rate of business growth during 2006-07 has been substantial The predicted growth into the forthcoming budget year is also very high which stimulates the need for additional resource across many business areas The following new appointments have been discussed and agreed to join the business during 2007-08 These are as follows

- Company Accountant (maternity leave replacement)
- Credit Controller (maternity leave replacement)
- Credit Control Assistant – new position
- Purchasing Administrators –x 2 – one replaces an internal transfer to another department
- Sales Administrator
- Technical Sales Manager Fragrance Ingredients Europe
- Technical Sales Manager Fragrance Ingredients UK
- Health & Safety Executive to also focus on initial REACH registrations
- Personal Care Technical Advisor
- Personal Care Student Administrator (temporary placement / maternity cover)

In addition current workloads in the warehouse necessitate the establishment of a temporary Warehouse Operative which may continue during the budget year

Property costs
The budget year now reflects all the additional costs of running the second office at Unit B The Chase for the full year In the Capex spend during the budget year sums have been added for the refurbishment for the original office and warehouse complex

Marketing costs
The advertising strategy is to enhance permission based marketing (PBM) (campaigns), increased penetration of our younger business unit sectors and to increase awareness of Blanova and Paratexin product ranges Market research expenditure has been increased reflecting the investment in the premium version of the Mintel database and the fact that a second user licence for SBG will be established

Financial costs
Legal & professional fees include tax support from Robson Rhodes and legal advice from Mills & Reeve The major components of Other Services include Clive Monk software development and the pensions consultancy service

4 1 6 Overheads for the two years to 30 June 2010
Staff costs have been inflated 5% during the year 2008/09 and 7 5% in 2009/10 This reflects the fact that significant head count increases have been budgeted in 2007/08 and, therefore, it is felt unlikely that significant additional resource will be needed in the next year However, by 2009 some additional headcount would be anticipated

Property costs are shown at +5% year on year

Equipment, communication, marketing and financial costs are also shown to be inflated 5% year on year from the budget figures established for 07/08

Budgeting history

4 1 7 A comparison of actual performance against budget for the last two complete financial years is set out below

Budgeting history

	Actual £000	Budget £000	Variance £000
Year ended 30 June 2007			
Sales	35,082	31,682	3,400
Operating profit	2,648	1,725	923
Year ended 30 June 2006			
Sales	29,530	29,126	404
Operating profit	1,762	1,961	(199)

Source management accounts, budgets for the 2 years ended 30 June 2007

4 1 8 Sales and hence operating profit have significantly exceed budget during the year to 30 June 2007 across the board in the personal care sector and, in particular, towards the end of the year in sales of silicones to Boots

5 Projected balance sheets

5 1 Summary balance sheets

5 1 1 The table below summarises the balance sheet of SBL for the years ended 30 June 2006 and 2007 and the forecasts for the years ending 30 June 2008 and 2009

	As at 30 June 2006 Actual - audited £000	As at 30 June 2007 Actual - unaudited £000	As at 30 June 2008 Projections £000	As at 30 June 2009 Projections £000
Fixed assets	4,144	4,126	733	887
Investment in subsidiaries	762	762	762	762
Trade investments	17	27	27	27
Goodwill	179	61	16	8
Total fixed assets	5,102	4,976	1,538	1,684
Trade debtors	5,764	6,906	7,403	8,012
Trade creditors	(2,996)	(5,015)	(3,343)	(3,618)
Stock	4,489	5,554	5,671	6,137
Working capital	7,257	7,445	9,731	10,531
Cash at bank and in hand	2,593	3,896	6,106	6,447
Net cash	2,593	3,896	6,106	6,447
Other debtors/creditors	(1,005)	(1,572)	(794)	22
Deferred tax	(16)	(21)	(16)	(16)
Net assets	13,931	14,724	16,565	18,668
Share capital/premium	489	489	519	519
Profit and loss brought forward	13,225	13,442	14,235	16,046
Profit and loss current period	217	793	1,811	2,103
	13,931	14,724	16,565	18,668

5 2 Key ratios

5 2 1 The principal assumptions for balance sheet ratios are set out below

Key balance sheet ratios

	30 June 2006	30 June 2007	30 June 2008	30 June 2009
Trade debtor days	57	53	58	58
Trade creditor days	29	53	39	39
Stock days	71	71	72	72

Source management accounts, budget for year to 30 June 2008, forecast for2 years to 30 June 2010

5 2 2 Overall trade debtor and stock days are expected to remain consistent with historical experience Trade creditor days at 30 June 2007 were exceptionally high but are expected to return to more normal levels

6 Net assets

6 1 S. Black Ltd

6 1 1 The net assets of SBL as at 31 July 2007 (the most recent date to which management accounts have been prepared prior to the giving of financial assistance) are set out in the table below

Net assets of SBL as at 31 July 2007

	£000
Fixed assets	4,935
Working capital	8,147
Cash	2,815
Other net assets	(1,374)
	14,523

Source Management accounts

The directors are not aware of any events between 31 July 2007 to the date of this memorandum which would reduce the net assets of the company below the amount shown

7 Contingent liabilities

7 1 Summary of contingent liabilities

7 1 1 The proposed financial assistance is to be in the form of a 7 year loan facility from Dresdner Bank AG Bank to finance (a) the redemption of ordinary SBL shares, (b) the redemption of 3i ordinary shares and (c) payment into a retention account (held in escrow)

7 1 2 The directors of the company are not aware of any other contingent liabilities for which a provision is required

8 Conclusion

8 1 S. Black Ltd

Condition precedent to the provision of financial assistance

As at the close of business on 31 July 2007, the latest practicable date to which management accounts have been prepared before the memorandum was signed, the aggregate of the company's assets as stated in its accounting records exceeded the aggregate of its liabilities as so stated

From the directors knowledge of events since that date and of the likely course of the company's business, as described in sections 2 to 7 of this memorandum, the directors have formed the opinion that

- the aggregate of the company's assets will exceed the aggregate of its liabilities immediately before the proposed financial assistance is given, and
- that the giving of such assistance will not reduce the net assets of the company, or to the extent that they are reduced, this assistance is provided out of distributable profits

Directors' statutory declaration

The directors are of the opinion that having carefully considered and adopted the contents of this memorandum that they are able to make a statutory declaration under Section 156 of the Companies Act, in the prescribed form

Signed on behalf of the Board

A.G Director

Director

Director

Director

Director

~~Director~~

Director

Director

Director