

UCB (INVESTMENTS) LIMITED

FINANCIAL STATEMENTS

31st December 1998

Registered Number: 1106309



UCB (INVESTMENTS) LIMITED

DIRECTORS' REPORT

31st December 1998

The directors present their annual report and the audited financial statements for the year ended 31st December 1998. As the accounts of the ultimate parent company, UCB S.A. are available for filing with the Registrar of Companies, it has been decided no longer to consolidate the company and its subsidiaries. The financial statements are, therefore, for the company only.

During the year UCB Sidac Limited and UCB Cellophane Limited continued to manufacture cellulose films and UCB Sidex Limited continued to manufacture bioriented polypropylene films. UCB Films PLC continued the marketing activities for these films. UCB (Chem) Limited continued to carry on business as a sales company for the chemical products of the UCB S.A. Group in the United Kingdom. UCB Pharma Limited continued to carry on business as a sales company for the pharmaceutical products of the UCB S.A. Group in the United Kingdom. UCB Services Limited continued to provide management services within the Group. UCB T & R Graham Limited continued to convert flexible packaging materials at Wigton, Cumbria.

On the 4th February 1998, UCB Labels Limited, a wholly owned subsidiary, changed its name to UCB Dumfries Limited. On the same date, UCB S.A. entered into an agreement to purchase the bioriented polypropylene business carried on by ICI PLC. With effect from 1st March 1998, UCB Dumfries Limited has manufactured polypropylene film at Dumfries, having acquired certain land and assets for that purpose.

On the 4th February 1998, UCB Osmotics Limited, a wholly owned subsidiary, changed its name to UCB Dumfries Pension Trust Limited.

On the 4th February 1998, UCB Sidex (Australia) Pty. Limited acquired the business of Orica Films from Orica Australia Pty. Limited and continues to manufacture bioriented polypropylene film in Melbourne, Australia.

UCB Flexibles Limited was dissolved on the 24th February 1998.

On the 29th May 1998, UCB Films (Asia-Pacific) Pty. Limited changed its name to ACN006697892 Pty. Limited. It transferred its business to UCB Sidex (Australia) Pty. Limited and ceased to trade. On the same date, the name of UCB Sidex (Australia) Pty. Limited was changed to UCB Films (Asia-Pacific) Pty. Limited,

On the 1st July 1998, Mediflex Limited changed its name to Vedim Limited.

On the 3rd August 1998, the company subscribed for 1,760,000 redeemable preference shares of £1 each in Viking Trading Co. Limited to enable that company to increase its investments in Australia. On the 10th August 1998, Viking Trading Co. Limited subscribed for 4,800,000 second redeemable preference shares of A\$1 each in UCB Australia Pty. Limited. On the same date, UCB Australia Pty. Limited subscribed for 4,000,000 ordinary shares of A\$1 each in UCB Films (Asia-Pacific) Pty. Limited for it to meet its capital expenditure.

On the 26th October 1998, the company converted all the 8,141,000 second redeemable non-cumulative preference shares of £1 each into redeemable cumulative preference shares.

UCB (INVESTMENTS) LIMITED

DIRECTORS' REPORT

31st December 1998

(continued)

On the same date, the company issued at par 74 ordinary shares of £1 each and 294,759 redeemable cumulative preference shares of £1 each to UCB S.A., in exchange for 19,000 ordinary shares of ITL20,000 each in UCB Chemicals Italia S.p.A.

On the same date, the company issued 15,207 redeemable cumulative preference shares to UCB Fipar S.A. in exchange for 980 ordinary shares of ITL20,000 each in UCB Chemicals Italia S.p.A.

On the same date, the company issued 24 ordinary shares of £1 each and 9,906,460 redeemable cumulative preference shares of £1 each to UCB Farchim S.A. in exchange for 474,525 ordinary shares of ITL20,000 each in UCB Pharma S.p.A., together with the rights held by UCB Farchim S.A. on a future increase in the capital of UCB Pharma S.p.A., to which UCB Farchim S.A. had subscribed to the extent of ITL4,000,000,000. The shares in Vedim Pharma S.r.l. continue to be held as to 298,673 shares of ITL1,000 each by UCB Pharma S.p.A. and 1,327 shares of ITL1,000 each by UCB S.A.

On the same date, the company transferred the shares acquired in UCB Pharma S.p.A and UCB Chemicals Italia S.p.A. to Viking Trading Co. Limited in exchange for 10,216,540 redeemable preference shares of £1 each in that company. UCB Farchim S.A. transferred the shares it had received in the company to UCB Investissements S.A.

On the same date, UCB S.A. subscribed for 4,000,000 ordinary shares of £1 each in the company for cash at par.

UCB Films (Asia-Pacific) Pty. Limited continued to carry on business as manufacturers of bioriented polypropylene film and as a sales company for the film products of the UCB S.A. Group in Australia. UCB (S.A.) (Pty.) Limited continued to carry on business as a sales company for the products of the UCB S.A. Group in South Africa. UCB Films Italia S.r.l. continued to carry on business as a sales company for the film products of the UCB S.A. Group in Italy. UCB Pharma S.p.A. carries on business as manufacturers and distributors of Group pharmaceutical products in Italy and UCB Chemicals Italia S.p.A., carries on business as a sales company for Group chemical products in Italy. Vedim Pharma S.r.l. also carries on business as manufacturers and distributors of Group pharmaceutical products in Italy.

The company acted as a holding company and provided management and financial services to its subsidiaries. During the year the company received dividends amounting to £7,066,000. After allowing for interest receivable and payable and a tax charge on the ordinary activities of the company, there was a profit on ordinary activities, after taxation of £5,238,000. On the 3rd July 1998, the company paid an interim dividend of £5,543,000, resulting in a reduction in distributable reserves of £305,000 to £3,081,000. It is proposed that no ordinary dividend shall be paid.

There were no charitable donations or political contributions.

Elective resolutions exempting the Directors from the need to lay accounts and reports before the company in General Meetings, exempting the company from holding Annual General Meetings and exempting the company from annually re-appointing its auditors remain in force.

UCB (INVESTMENTS) LIMITED

DIRECTORS' REPORT

31st December 1998

(continued)

The Directors of the company on the 31st December 1998, were Baron G. Jacobs (Belgian), Chairman, Baron D. Janssen (Belgian), Deputy Chairman, E. Croufer (Belgian), R. Stewart-Smith, B. Van Assche (Belgian) and M. Wiers (Belgian). All the Directors were Directors throughout the year.

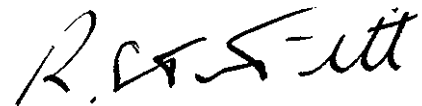
The ordinary shareholders of the company on the 31st December 1998, were UCB S.A., holding 75 shares, UCB Investissements S.A. holding 24 shares and UCB Fipar S.A., holding one share, of £1 each. The ultimate parent company is UCB S.A., incorporated in Belgium.

In order to simplify the structure of the company, it was agreed that, with effect from the 1st January 1999, all the business, assets and liabilities of UCB Sidac Limited and UCB Sidex Limited should be transferred to UCB Films PLC.

In view of the actual and prospective losses on the bioriented polypropylene film manufacturing site at Dumfries, it was decided by UCB Dumfries Limited, on the 17th February 1999, to cease manufacture on that site from the 28th February 1999.

On the 3rd March 1999, it was decided that the registered office of the company be moved to 3 George Street, Watford, Herts., WD1 8UH with effect from 31st March 1999.

By Order of the Board



R Stewart-Smith
Secretary

Star House
69 Clarendon Road
Watford, Herts
WD1 1DJ

3rd March, 1999

UCB (INVESTMENTS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period.

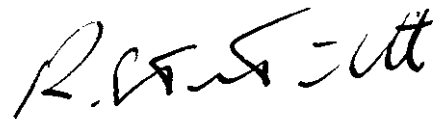
In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, and give details of any departures;
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

By order of the board



R. Stewart-Smith

Secretary

2nd March, 1999

UCB (INVESTMENTS) LIMITED

AUDITORS' REPORT

Auditors' report to the shareholders of UCB (Investments) Limited

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Kidsons Impey

Registered Auditors

Chartered Accountants

London

3 March 1999

UCB (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1998

	Note	1998 £'000	1997 £'000
Operating income		142	218
Administrative expenses		(142)	(218)
Operating profit		<u>-</u>	<u>-</u>
Interest receivable	4	343	453
Interest payable	5	(1,780)	(1,285)
Income from interests in subsidiaries		7,066	4,865
Profit on ordinary activities before taxation		<u>5,629</u>	<u>4,033</u>
Taxation charge on ordinary activities	6	(391)	946
Profit on ordinary activities after taxation		<u>5,238</u>	<u>4,979</u>
Equity dividends paid		(5,543)	(3,672)
(Loss)/profit retained for the year	13	<u>(305)</u>	<u>1,307</u>

The company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains or losses or historical statement has been prepared.

UCB (INVESTMENTS) LIMITED

BALANCE SHEET

31st December 1998

	Note	1998	1997
		£'000	£'000
Fixed assets			
Investments	7	60,022	48,046
Current assets			
Debtors	8	10,983	6,746
Bank and cash balances		12	113
		<hr/>	<hr/>
		10,995	6,859
Creditors: amounts falling due within one year	9	(3,348)	(1,147)
		<hr/>	<hr/>
Net current assets		7,647	5,712
		<hr/>	<hr/>
Total assets less current liabilities		67,669	53,758
Creditors: amounts falling due after more than one year	10	(19,660)	(19,660)
		<hr/>	<hr/>
Net assets		48,009	34,098
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	44,928	30,712
Profit and loss account	13	3,081	3,386
		<hr/>	<hr/>
Total shareholders' funds	12	48,009	34,098
		<hr/>	<hr/>
Attributable to:			
Equity shareholders		3,081	3,386
Non-equity shareholders		44,928	30,712
		<hr/>	<hr/>
		48,009	34,098

The financial statements on pages 6 to 17 were approved by the board of directors on 2nd April 1999 and signed on their behalf by:

Directors

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared on the historical cost basis, and in accordance with the applicable accounting standards. No group amounts have been prepared because the company's accounts have been consolidated in the accounts of its ultimate parent company. These accounts present information relating to the individual company only and not for the group.

Advantage has been taken of the exemption, granted by paragraph 3(c) of FRS8, from reporting transactions with fellow group undertakings on the basis that the consolidated financial statements on which the company is included are publicly available.

(b) Deferred taxation

Deferred taxation is provided, where applicable, on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

(c) Foreign currencies

Transactions expressed in foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the time of the transaction and differences have been included in operating profit. Monetary assets and liabilities have been translated at rates ruling at the Balance Sheet date..

(d) Pension costs

Contributions to the group's pension scheme are charged to the profit and loss account, so as to spread the cost of pensions over the employees' working lives with the group.

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

(continued)

	1998	1997
	£'000	£'000
2. Operating profit		
Operating profit is stated after charging/(crediting)		
Audit fees	-	-
Gains on foreign exchange	(6)	17
Operating lease rentals	6	6
3. Staff costs (including directors' emoluments)		
a) Wages and salaries	147	123
Social Security costs	24	21
Other pension costs	10	7
	<hr/>	<hr/>
	181	151
	<hr/>	<hr/>
b) Average numbers employed, including directors	6	6
	<hr/>	<hr/>
c) Directors emoluments	165	137
	<hr/>	<hr/>
4. Interest receivable		
Interest receivable from group companies	343	408
Bank interest receivable	-	45
	<hr/>	<hr/>
	343	453
	<hr/>	<hr/>
5. Interest payable		
Interest charged by group companies	1,182	878
Bank interest payable	598	407
	<hr/>	<hr/>
	1,780	1,285
	<hr/>	<hr/>
6. Taxation on profits		
Advance corporation tax	1,000	(690)
Group relief	(609)	(256)
	<hr/>	<hr/>
	391	(946)
	<hr/>	<hr/>

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

(continued)

7. Subsidiary undertakings

	£'000
Shares at cost - as at 31st December 1997	48,046
Additions in the year	11,976
	<hr/>
Shares at cost - as at 31st December 1998	60,022
	<hr/>

At 31st December 1998 the company had the following subsidiary undertakings, all of which were wholly owned, incorporated and operated in England, unless otherwise stated:

United Kingdom Holding Companies

UCB Films plc

Viking Trading Co. Limited

Vedim Limited (formerly

Mediflex Limited) 40% (by virtue of the rights attaching to the "A" shares, the company is treated as a subsidiary undertaking).

United Kingdom companies

UCB Films PLC	(marketing of transparent packaging films)
* UCB Sidac Limited	(manufacturers of transparent cellulose films)
* UCB Dumfries Limited	(manufacturers of polypropylene films)
* UCB Sidex Limited	(manufacturers of polypropylene films)
* UCB Cellophane Limited	(manufacturers of transparent cellulose films)
UCB T & R Graham Limited	(converters of flexible packaging materials) - registered in Scotland
UCB Services Limited	(management services company)
UCB (Chem) Limited	(sales company for group chemical products)
UCB Pharma Limited	(sales company for group pharmaceutical products)

Overseas companies (subsidiaries of Viking Trading Co. Limited)

UCB Australia Pty. Limited	(a holding company) - incorporated in Australia
** UCB Films (Asia - Pacific) Pty. Limited formerly UCB Sidex Australia Pty. Limited)	(manufacturers of polypropylene films. Sales company of transparent cellulose films.) incorporated in Australia

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

(continued)

7. Subsidiary undertakings (continued)

- ** ACN 006 697 892 (in liquidation) - incorporated in Australia
(formerly UCB Films (Asia - Pacific)
Pty. Limited)
- ** Securrency Pty. Limited (Joint Venture with the Reserve Bank of Australia. Sales
company for plastic substitutes for security printing) -
incorporated in Australia - 50% + 1 share
- **** Australian Cellophane Pty. Ltd (in liquidation) - incorporated in Australia
- UCB (S.A.) Pty. Limited (sales company for group products in South Africa) -
incorporated in the Republic of South Africa
- UCB-Rayophane (South Africa) (in liquidation) - incorporated in the Republic of South
(Pty.) Limited Africa
- Cellophane Dist. Africa Pty. Ltd (in liquidation) - incorporated in the Republic of South
Africa
- UCB Films Italia S.r.l (sales company for group film products in Italy) -
incorporated in Italy
- UCB Chemicals Italia S.p.A (Sales company for group chemical products in Italy) -
incorporated in Italy - 99.9 %
- UCB Pharma S.p.A (Manufacturers and distributors of pharmaceutical
products) incorporated in Italy - 99.9 %
- ***** Vedim Pharma S.r.l (production and sales of pharmaceutical products) -
incorporated in Italy
- *** Uni-Mediflex Private Limited (holding company for certain group interests in India) -
incorporated in the state of Maharashtra, India
- * Subsidiaries of UCB Films PLC
- ** Subsidiary of UCB Australia Pty. Limited
- *** Subsidiary of Vedim Limited
- **** Subsidiary of UCB Films (Asia-Pacific) Pty. Limited
- ***** Subsidiary of UCB Pharma S.p.A

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

(continued)

8. **Debtors:** amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed by group undertakings	10,402	5,986
Prepayments and accrued income	581	10
	<hr/>	<hr/>
	10,983	5,996

Amounts falling due after more than one year

Amounts owed by subsidiary undertakings	-	750
	<hr/>	<hr/>
	10,983	6,746
	<hr/>	<hr/>

9. **Creditors:** amounts falling due within one year

Amounts owed to group undertakings	3,182	537
Other creditors	25	371
Accruals and deferred income	141	239
	<hr/>	<hr/>
	3,348	1,147
	<hr/>	<hr/>

All creditors are repayable within five years.

10. **Creditors:** amounts falling due after more than one year

Bank loans	5,000	5,000
Amounts owed to group undertakings	14,660	14,660
	<hr/>	<hr/>
	19,660	19,660
	<hr/>	<hr/>

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

(continued)

11. Share capital

	Authorised		Allotted, called up and fully paid	
	Number of shares	£'000	Number of shares	£'000
At 31st December 1998				
£1 redeemable cumulative preference shares	44,928,426	44,928	44,928,426	44,928
£1 ordinary shares	100	-	100	-
		<hr/>		<hr/>
		44,928		44,928
		<hr/>		<hr/>
At 31st December 1997				
£1 redeemable cumulative preference shares	22,571,000	22,571	22,571,000	22,571
£1 second redeemable non-cumulative preference shares	8,141,000	8,141	8,141,000	8,141
£1 ordinary shares	100	-	2	-
		<hr/>		<hr/>
		30,712		30,712
		<hr/>		<hr/>

On 26 October 1998 the company issued at par 98 ordinary shares of £1 each and 14,216,426 £1 redeemable cumulative preference shares, and converted all of the 8,141,000 second redeemable non-cumulative preference shares into £1 redeemable cumulative preference shares.

The redeemable cumulative preference shares carry the right to receive the same dividend as the ordinary shares and shareholders are not entitled to vote at a general meeting unless dividends are in arrears or the business of the meeting affects the rights attaching to the shares or the borrowing powers of the directors. These shares are repayable, including arrears of dividend, at the option of the company on giving thirty days notice. On a winding up the shareholders are entitled to be repaid in full, including arrears of dividend, in priority to ordinary shareholders and second preference shareholders.

The shares are repayable at the option of the company on giving 30 days notice. On winding up, the shareholders are entitled to be repaid in full as priority to ordinary shareholders but behind preference shareholders.

UCB (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998
(continued)

12. Reconciliation of shareholders' funds

	1998 £'000	1997 £'000
Share capital issued	14,216	-
Retained loss	(305)	1,307
Opening shareholders funds	34,098	32,791
	<hr/>	<hr/>
Closing shareholders' funds	48,009	34,098
	<hr/>	<hr/>

13. Reserves

Profit and loss account:

	£'000
Balance at 31st December 1997	3,386
Retained loss	(305)
	<hr/>
Balance at 31st December 1998	3,081
	<hr/>

14. Deferred tax

There was no actual or potential deferred tax at 31 December 1998 or 31 December 1997.

15. Commitment under Operating Leases

Financial commitments under non-cancellable operating lease will result in the following payments falling due in the following year:

	Plant and machinery	
	1998 £'000	1997 £'000
Expiring within 5 years	6	6
	<hr/>	<hr/>

16. Ultimate holding undertaking

The ultimate holding undertaking of UCB (Investments) Limited is UCB S.A., which is incorporated in Belgium.

UCB (INVESTMENTS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st December 1998
(continued)

17. Borrowings by fellow subsidiary undertakings

The company has guaranteed certain borrowings of its UK subsidiary undertakings.

18. Pension scheme

(a) Nature of scheme

The company participates in the UCB British Pension Scheme which is constituted through a separate independent trust. The scheme is contributory, funded, defined benefit scheme, the benefits of which are based on final pensionable pay.

(b) Pension costs

Contributions to the UCB British Pension Scheme are assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest assessment of the scheme was made as at the 1st January 1997. Contributions from the company of £10,000 (1997: £7,000) were paid to the scheme in the year. Contributions totalling £1,000 (1997: £1,000) were payable to the scheme at the year end and are included in creditors.

(c) Actuarial valuation

At the date of the latest actuarial valuation of the UCB British Pension Scheme the market value of the scheme assets was £106,946,000, the actuarial value of those assets represented 101.9% of the benefits that have accrued to members after allowing for expected increases in earnings. Members of the scheme contribute 6% of contributory pay and the respective employing companies contribute 12½% of members' contributory pay. In the opinion of the actuary, there is no immediate requirement for the company to increase its rate of contribution.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and the rates of increases in salaries, wages and pensions. It was assumed that the investment return would be 9% per annum, that pay increases would average 7% per annum plus historically based incremental scales for salaries/wages and that the rate of increase in present and future pensions would be 5% per annum.

19. Subsequent events

Details of subsequent events are given in the attached directors' report.

UCB (INVESTMENTS) LIMITED

CASH FLOW STATEMENT

for the year ended 31st December 1998

	Note	1998		1997	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	1		(2,905)		(3,208)
Returns on investment and servicing of finance					
Interest received		343		453	
Interest paid		(1,780)		(1,285)	
Dividends received		7,066		4,865	
Dividends paid		(5,543)		(3,672)	
		<hr/>		<hr/>	
Net cash outflow from returns on investments and servicing of finance			86		361
Taxation					
UK Corporation tax paid		478		(30)	
		<hr/>		<hr/>	
			478		(30)
Investing activities					
Payments to acquire shares in subsidiary companies		(11,976)		(11,948)	
		<hr/>		<hr/>	
Net cash (outflow) from investing activities			(11,976)		(11,948)
			<hr/>		<hr/>
Net cash (outflow) from financing			(14,317)		(14,825)
Financing					
Issue of ordinary share capital		14,216		-	
New loans received		-		14,660	
		<hr/>		<hr/>	
Net cash inflow from financing			14,216		14,660
			<hr/>		<hr/>
(Decrease) in cash and cash equivalents	2		(101)		(165)
			<hr/>		<hr/>

UCB (INVESTMENTS) LIMITED

NOTES TO THE GROUP CASH FLOW STATEMENT

31st December 1998

	1998 £'000	1997 £'000
1. Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	-	-
(Increase)/decrease in debtors	(2,972)	2,291
Increase/decrease in creditors	67	(5,499)
	<hr/>	<hr/>
Net cash inflow from continuing operating activities	(2,905)	(3,208)
	<hr/>	<hr/>

2. Analysis of balances of cash and cash equivalents as shown in the balance sheet

	1st January 1998 £000	Cashflow £000	31st December 1998 £000
Bank and cash balances	113	(101)	12
	<hr/>	<hr/>	<hr/>