

SAPA FINANCIAL SERVICES LIMITED

ANNUAL REPORT

YEAR ENDED 31st DECEMBER 1998

Co. No. 1100137



SAPA FINANCIAL SERVICES LIMITED

YEAR ENDED 31st DECEMBER 1998

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SAPA FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER 1998

The directors present their report and the audited financial statements for the year ended 31st December 1998.

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

The directors of the company at 31st December 1998, all of whom have been directors for the whole of the year ended on that date (except as stated) are listed below:

A.P. Daniels
R.A. Greenslade - Chairman

No director had any beneficial interests in the shares of the company or its parent company as at 31st December 1998 and 1st January 1998.

PRINCIPAL ACTIVITY

The company's principal activity is the provision of financial and administrative services.

DIVIDENDS

The directors do not recommend the payment of a final dividend.

AUDITORS

Following the merger of Coopers & Lybrand and Price Waterhouse from 1st July 1998, Coopers & Lybrand resigned as auditors in favour of the new firm, PricewaterhouseCoopers, and the Directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation.

In accordance with Section 379A and Section 386 of the Companies Act 1985 a resolution to dispense with the annual appointment of auditors was made on 9th April 1996.

BY ORDER OF THE BOARD



A.P. DANIELS
COMPANY SECRETARY

JOSEPH PITT HOUSE
PITTVILLE CIRCUS ROAD
CHELTENHAM

22. Feb. 99

SAPA FINANCIAL SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF SAPA FINANCIAL SERVICES LIMITED

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 3.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 1 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT 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 the company's affairs at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PRICEWATERHOUSECOOPERS
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS
GLOUCESTER

2 March 1999

SAPA FINANCIAL SERVICES LIMITED

ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

SAPA FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st DECEMBER 1998

	<u>Note</u>	1998 £000	1997 £000
Administration fees received		657	549
Administrative expenses incurred		(435)	(387)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		222	162
Taxation	1	(25)	(345)
		-----	-----
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	5	197	(183)
		-----	-----

All of the above figures are derived from the continuing operations of the company.

A statement of total recognised gains and losses has not been supplied as there were no recognised gains or losses other than the profit/(loss) for the year.

The reported profit/(loss) for the year is not materially different from the profit/(loss) on an unmodified historical cost basis.

SAPA FINANCIAL SERVICES LIMITED

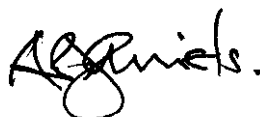
BALANCE SHEET

31st DECEMBER 1998

	<u>Note</u>	1998 £000	1997 £000
CURRENT ASSETS			
Debtors	2	10	5
Cash at bank and in hand		478	280
		<u>488</u>	<u>285</u>
Creditors: Amounts falling due within one year	3	(388)	(382)
NET CURRENT ASSETS/(LIABILITIES)		<u>100</u>	<u>(97)</u>
CAPITAL AND RESERVES			
Called up share capital - equity	4	-	-
Profit and loss account		100	(97)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	5	<u>100</u>	<u>(97)</u>

The financial statements on pages 3 to 7 were approved by the Board of Directors on
and were signed on its behalf by:

22. Feb. 99



A.P. DANIELS
DIRECTOR

SAPA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 1998

	1998 £000	1997 £000
1. TAXATION		
United Kingdom corporation tax on profit for the year at 31%	68	54
ACT recoverable	(43)	291
	25	345
2. DEBTORS		
Prepayments and accrued income	10	5
Taxation recoverable	-	-
	10	5
3. CREDITORS: Amounts falling due within one year		
Amounts owed to group undertakings	363	361
Corporation tax	25	20
Other taxation and social security costs	-	1
	388	382
	£	£
4. CALLED UP SHARE CAPITAL		
Authorised Equity		
100 ordinary shares of £1 each	100	100
Allotted and fully paid Equity		
2 ordinary shares of £1 each	2	2
5. MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		
	£000	£000
Balance at 1st January 1998	(97)	86
Profit/(Loss) for the year	197	(183)
Balance at 31st December 1998	100	(97)

SAPA FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 1998

6. CONTINGENT LIABILITIES

The company has given an unlimited guarantee over the bank indebtedness of certain group companies.

7. CASH FLOW STATEMENT

No cash flow statement has been prepared since the company is a wholly owned subsidiary undertaking and is exempt from doing so by the provisions of FRS1.

8. PARENT COMPANIES

The company is a subsidiary undertaking of, and is controlled by Sapa Holdings Limited, which is registered in England. The ultimate parent company and controlling party is Gränges AB which is incorporated in Sweden.

The largest undertaking preparing group accounts which include Sapa Financial Services Limited is Gränges AB. Copies of the Gränges AB accounts may be obtained from Gränges AB, Corporate Communications, Box 5505, SE-114 85 Stockholm, Sweden or on the Internet at <http://www.graenges.se>

The smallest undertaking preparing group accounts which include Sapa Financial Services Limited is Sapa Holdings Limited. Copies of the Sapa Holdings Limited accounts may be obtained from The Secretary, Sapa Holdings Limited, Joseph Pitt House, Pittville Circus Road, Cheltenham, Gloucestershire GL52 2QE.

Transactions with entities that are part of the Gränges AB group are not disclosed, as the company has taken advantage of exemptions in FRS8, being a 100% owned subsidiary.