Grant Thornton

Financial Statements
Cepac Limited

For the year ended 31 December 2011

Registered number: 3373762

Cepac Limited

Company Information

Directors	D A Saeed N D Marsden T R Bradburn H El Kasar J A R Cook R C Ainslie
Company secretary	Grays Inn Secretaries Limited
Company number	3373762
Registered office	Prince Albert House 2 Kingsmill Terrace London NW8 6BN
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Leeds West Yorkshire LS1 4BN
Bankers	Barclays Bank plc 2nd Floor 1 St Paul's Place 121 Norfolk Street Sheffield S1 2JW
Solicitors	Irwin Mitchell LLP Riverside East 2 Millsands Sheffield S3 8DT

Contents

Directors' Report
For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Principal activity

The company's principal activity is the design and production of corrugated packaging

Business review

2011 was a year of consistent demand from our major customers in particular, with a full year impact from the most recently acquired As the year went on the volume throughput demonstrated further the benefits of the investment programme undertaken from 2008 to 2010 to increase the capacity of the business

During the first half of 2011 paper continued to increase in price, continuing the cycle that had started in the latter stages of 2009 This situation initially perpetuated the issue that had faced the business in 2010, which was the delay in recovery of these paper price increases impacting on margins This position eased during the second half of the year as box price increases eventually began to catch up with the paper price level Towards the end of 2011 it then became clear that the paper cycle had peaked and therefore this consistent delay in recovery would diminish

The company provides just in time customer service underpinned by exceptionally high levels of productivity and this efficient processing of improved sales volumes and easing of the margin pressures contributed to pre-tax profitability of £4 7m

As with prior years, cost pressures continued unabated with further increases in energy costs and other input costs, along with the on-going effects of weak sterling Some offset continued with low interest rates easing the burden of debt servicing

Significant levels of debt repayment were also made during the year with net debt falling by £5 4m

Directors' Report

For the year ended 31 December 2011

The directors believe that the business has been significantly strengthened in 2011 with good levels of profitability and net debt levels being more than halved This provides the company with a strong position to develop its business further in the coming years despite the intense competition in the market place

Health and safety remains a key management priority and effort continues by all involved in the business to make continual improvement in this critically important area There were three reportable accidents (under RIDDOR) in 2011 compared to just two in 2010, however the total number of accidents reduced thereby maintaining the trend improvement shown over the past few years

In 2011 87% of paper used (2010- 86%) was recycled with the rest being produced from sustainable developments Of all paper purchased during the year over 73% was procured (2010 - 67%) under our FSC (Forestry Stewardship Council) accreditation All process and paper based waste is collected and recycled

Key performance indicators are used to manage the business on a day by day, week by week and month by month basis These include

- Number of reportable accidents
- Number of dangerous occurrences
- Sales value per operating day
- Sales yield
- Paper value added
- Contribution
- Labour costs to sales value
- Process waste
- Debtor days

Results

The profit for the year, after taxation, amounted to £3,473,252 (2010 - £1,009,454)

Directors

The directors who served during the year were

D A Saeed
N D Marsden
T R Bradburn
H El Kasar
J A R Cook
R C Ainslie

Directors' Report

For the year ended 31 December 2011

Principal risks and uncertainties

Economic and Market Risk
The on-going worldwide economic difficulties and the cyclical nature of the paper industry provide challenges and risks that have to be managed Market risk is associated with both competitor activity and the paper cycle Economically, the major risk will be how market demand and especially consumer spending across all sections of the economy under current conditions effect demand for corrugated packaging

Operational Continuity Risk
The company works actively to continuously reduce the risk of events happening that could disrupt operations There are insurance policies to mitigate financial risk and business continuity plans in place to safeguard customer service

Financial Risk Management Objectives and Policies
The company uses various financial instruments, these include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

No transactions in derivatives take place and the main risks arising from these financial instruments are credit risk, interest rate risk, liquidity risk and currency risk

Credit Risk
The company's principal financial assets are its trade debtors and during the year it changed it debtor finance facilities from non-recourse sales factoring (including credit insurance) to invoice discounting with external credit insurance Assessment and monitoring of existing and potential customers is undertaken in conjunction with underwriters

Interest Rate Risk
The company finances its operations through bank borrowings, which are all £STG denominated and therefore subject to UK interest rate movement or pre-agreed criteria in the case of the BNP loan

Liquidity Risk
The company has facilities in place linked to invoice discounting that allow for draw downs of monies to operate the businesses and provide predictability of cash flow This facility was largely unused during 2011 During the year the main company loan was partly paid down and the balance refinanced through BNP Paribas Switzerland

Currency Risk
Most paper purchases are denominated in £STG so exchange movement risk is low Other supplies bought, where necessary, in foreign currency are paid at spot rate, the proportion and risk not being material to require derivatives to manage the risk The most pressing issue is the current weakness of the pound and the subsequent increase in cost of Euro and US$ manufactured purchases

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Directors' Report
For the year ended 31 December 2011

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 16TH MAY 2012 and signed on its behalf

R C Ainslie
Director

Grant Thornton

Independent Auditor's Report to the Members of Cepac Limited

We have audited the financial statements of Cepac Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor
As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent Auditor's Report to the Members of Cepac Limited

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Richard Hobson (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Leeds
Date 16 MAY 2012

Profit and Loss Account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	**51,609,369**	43,099,349
Cost of sales		**(35,731,960)**	(30,138,814)
Gross profit		**15,877,409**	12,960,535
Distribution costs		**(2,322,901)**	(2,257,656)
Administrative expenses		**(8,565,324)**	(9,049,327)
Operating profit	3	**4,989,184**	1,653,552
Interest receivable		**833**	5,725
Interest payable	7	**(261,882)**	(258,940)
Profit on ordinary activities before taxation		**4,728,135**	1,400,337
Tax on profit on ordinary activities	8	**(1,254,883)**	(390,883)
Profit for the financial year	16	**3,473,252**	1,009,454

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 10 to 19 form part of these financial statements

Balance Sheet
As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	9		**4,690,925**		5,540,136
Current assets					
Stocks	10	**2,248,730**		2,269,381	
Debtors	11	**11,388,121**		11,711,349	
Cash at bank		**1,551,474**		1,019,327	
		15,188,325		15,000,057	
Creditors: amounts falling due within one year	12	**(7,387,804)**		(12,228,269)	
Net current assets			**7,800,521**		2,771,788
Total assets less current liabilities			**12,491,446**		8,311,924
Creditors. amounts falling due after more than one year	13		**(1,216,642)**		(442,372)
Provisions for liabilities					
Deferred tax	14		**(219,447)**		(287,447)
Net assets			**11,055,357**		7,582,105
Capital and reserves					
Called up share capital	15		**4,000,000**		4,000,000
Profit and loss account	16		**7,055,357**		3,582,105
Shareholders' funds	17		**11,055,357**		7,582,105

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
16TH MAY 2012

R C Ainslie
Director

T R Bradburn
Director

The notes on pages 10 to 19 form part of these financial statements

Cash Flow Statement
For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	18	**6,743,284**	1,198,615
Returns on investments and servicing of finance	19	**(261,049)**	(253,215)
Taxation		**(906,383)**	(667,277)
Capital expenditure	19	**(192,216)**	(833,771)
Cash inflow/(outflow) before financing		**5,383,636**	(555,648)
Financing	19	**(3,603,638)**	(7,748)
Increase/(decrease) in cash in the year		**1,779,998**	(563,396)

Reconciliation of Net Cash Flow to Movement in Net Debt
For the year ended 31 December 2011

	2011 £	2010 £
Increase/(decrease) in cash in the year	**1,779,998**	(563,396)
Cash outflow from decrease in debt and lease financing	**3,603,638**	7,748
Movement in net debt in the year	**5,383,636**	(555,648)
Net debt at 1 January 2011	**(7,274,134)**	(6,718,486)
Net debt at 31 December 2011	**(1,890,498)**	(7,274,134)

The notes on pages 10 to 19 form part of these financial statements

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies

1.1 Basis of preparation of financial statements

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

1.2 Going concern

The directors believe that the strength of the business continues to grow due to its profitability in the year and the significant reduction in net debt, which further underpins its going concern status

1.3 Turnover

Revenue is recognised at the point when the risks and rewards of ownership have been transferred, which is deemed to be at the point of despatch

1.4 Tangible fixed assets and depreciation

All fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is calculated so as to write off the cost of an assets, less its estimated residual value, over the useful economics life of that asset as follows

Plant & machinery	-	5-25% straight line
Fixtures & fittings	-	15-25% straight line

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

1.7 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occured by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date

1.8 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Any gain or less arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies (continued)

1 9 Pension Costs

The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

All turnover arose within the United Kingdom

3. Operating profit

The operating profit is stated after charging/(crediting)

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**1,041,427**	1,820,153
Operating lease rentals		
- plant and machinery	**286,029**	271,389
- other operating leases	**875,837**	870,000
Difference on foreign exchange	**(649)**	(3,518)
Profit on sale of tangible fixed assets	**-**	(2,500)

4. Auditor's remuneration

	2011	2010
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	**19,750**	19,000
Fees payable to the company's auditor and its associates in respect of		
Other services relating to taxation	**5,200**	5,000

Notes to the Financial Statements
For the year ended 31 December 2011

5. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	5,650,908	5,446,706
Social security costs	586,932	567,347
Other pension costs	424,654	404,197
	6,662,494	6,418,250

The average monthly number of employees, including the directors, during the year was 189 (2010 191)

6. Directors' remuneration

	2011	2010
	£	£
Emoluments	357,209	266,413
Company pension contributions to defined contribution pension schemes	21,567	20,833

During the year retirement benefits were accruing to 2 directors (2010 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £263,932 (2010 - £173,428)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,217 (2010 - £12,733)

7. Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	99,132	61,835
Other similar charges	162,750	197,105
	261,882	258,940

Notes to the Financial Statements

For the year ended 31 December 2011

8. Taxation

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	**1,323,000**	556,500
Overprovision in prior year	**(117)**	(1,064)
Total current tax	**1,322,883**	555,436
Deferred tax (see note 14)		
Origination and reversal of timing differences	**(68,000)**	(164,553)
Tax on profit on ordinary activities	**1,254,883**	390,883

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 26% (2010 - 28%) The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	**4,728,135**	1,400,337
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 - 28%)	**1,229,315**	392,094
Effects of·		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**19,897**	10,160
Depreciation for year in excess of capital allowances	**13,982**	154,607
Adjustments to tax charge in respect of prior periods	**(117)**	(1,064)
Short term timing difference leading to an increase (decrease) in taxation	**35,192**	(361)
Rate difference	**24,614**	-
Current tax charge for the year (see note above)	**1,322,883**	555,436

Notes to the Financial Statements
For the year ended 31 December 2011

9. Tangible fixed assets

	Plant & machinery £	Fixtures & fittings £	Other fixed assets £	Total £
Cost				
At 1 January 2011	**22,752,935**	**1,192,545**	**62,310**	**24,007,790**
Additions	**181,839**	**1,865**	**8,512**	**192,216**
Transfers	**62,310**	**-**	**(62,310)**	**-**
At 31 December 2011	**22,997,084**	**1,194,410**	**8,512**	**24,200,006**
Depreciation				
At 1 January 2011	**17,334,221**	**1,133,433**	**-**	**18,467,654**
Charge for the year	**1,036,430**	**4,997**	**-**	**1,041,427**
At 31 December 2011	**18,370,651**	**1,138,430**	**-**	**19,509,081**
Net book value				
At 31 December 2011	**4,626,433**	**55,980**	**8,512**	**4,690,925**
At 31 December 2010	5,418,714	59,112	62,310	5,540,136

10. Stocks

	2011 £	2010 £
Raw materials	**1,785,106**	1,825,634
Finished goods	**463,624**	443,747
	2,248,730	2,269,381

11. Debtors

	2011 £	2010 £
Trade debtors	**10,677,308**	10,760,304
Amounts owed by group undertakings	**-**	271,222
Prepayments and accrued income	**710,813**	679,823
	11,388,121	11,711,349

During 2011 an invoice discounting facility of £6,000,000 was agreed between Cepac Limited and Barclays Bank Plc

Notes to the Financial Statements

For the year ended 31 December 2011

12. Creditors:
Amounts falling due within one year

	2011	2010
	£	£
Bank overdrafts	-	1,247,851
Bank loans	2,225,330	6,603,238
Trade creditors	1,732,827	2,223,058
Corporation tax	723,000	306,500
Social security and other taxes	1,420,241	1,110,744
Accruals and deferred income	1,286,406	736,878
	7,387,804	12,228,269

Included within bank loans is £225,728 (2010 £215,159) which is secured on the company's plant and machinery

13. Creditors:
Amounts falling due after more than one year

	2011	2010
	£	£
Bank loans	1,216,642	442,372

Included within the above are amounts falling due as follows

	2011	2010
	£	£
Between one and two years		
Bank loans	1,216,642	225,727
Between two and five years		
Bank loans	-	216,645

Included within bank loans is £216,643 (2010 £225,727) which is secured on the company's plant and machinery

14. Deferred taxation

	2011	2010
	£	£
At beginning of year	287,447	452,000
Released during year	(68,000)	(164,553)
At end of year	219,447	287,447

Notes to the Financial Statements
For the year ended 31 December 2011

14. Deferred taxation (continued)

The provision for deferred taxation is made up as follows

	2011	2010
	£	£
Excess of taxation allowances over depreciation on fixed assets	**289,447**	326,447
Other timing differences	**(70,000)**	(39,000)
	219,447	287,447

15. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
4,000,000 Ordinary shares of £1 each	**4,000,000**	4,000,000

16. Reserves

	Profit and loss account
	£
At 1 January 2011	**3,582,105**
Profit for the year	**3,473,252**
At 31 December 2011	**7,055,357**

17. Reconciliation of movement in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	**7,582,105**	6,572,651
Profit for the year	**3,473,252**	1,009,454
Closing shareholders' funds	**11,055,357**	7,582,105

Notes to the Financial Statements

For the year ended 31 December 2011

18. Net cash flow from operating activities

	2011	2010
	£	£
Operating profit	4,989,184	1,653,552
Depreciation of tangible fixed assets	1,041,427	1,820,153
Profit on disposal of tangible fixed assets	-	(2,500)
Decrease/(increase) in stocks	20,651	(615,270)
Decrease/(increase) in debtors	323,228	(3,250,748)
Increase in creditors	368,794	1,593,428
Net cash inflow from operating activities	6,743,284	1,198,615

19. Analysis of cash flows for headings netted in cash flow statement

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest received	833	5,725
Interest paid	(261,882)	(258,940)
Net cash outflow from returns on investments and servicing of finance	(261,049)	(253,215)

	2011	2010
	£	£
Capital expenditure		
Purchase of tangible fixed assets	(192,216)	(836,271)
Sale of tangible fixed assets	-	2,500
Net cash outflow from capital expenditure	(192,216)	(833,771)

	2011	2010
	£	£
Financing		
Net loan repayment	(3,603,638)	(7,748)

Notes to the Financial Statements
For the year ended 31 December 2011

20. Analysis of changes in net debt

	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
	£	£	£	£
Cash at bank and in hand	1,019,327	532,147	-	1,551,474
Bank overdraft	(1,247,851)	1,247,851	-	-
	(228,524)	1,779,998	-	1,551,474
Debt.				
Debts due within one year	(6,603,238)	3,603,638	774,270	(2,225,330)
Debts falling due after more than one year	(442,372)	-	(774,270)	(1,216,642)
Net debt	(7,274,134)	5,383,636	-	(1,890,498)

21. Capital commitments

At 31 December 2011 the company had capital commitments as follows

	2011	2010
	£	£
Contracted for but not provided in these financial statements	-	62,311

22. Pensions

Defined Contribution Scheme

The company operates a defined contribution scheme for the benefit of all the employees The assets of the scheme are administered by trustees in a fund independent from those of the company

23. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Expiry date				
Within 1 year	-	-	17,141	-
Between 2 and 5 years	870,000	-	179,414	266,168
After more than 5 years	-	870,000	-	-

Notes to the Financial Statements

For the year ended 31 December 2011

24. Related party transactions

Under Financial Reporting Standard 8 the company is exempt from the requirement to disclose transactions with other group companies on the basis that it is a wholly owned subsidiary and its results are consolidated into that of the parent company

Capital House Investments Limited owns 100% of the share capital of Europa Holdings Limited, which in turn owns 100% of the share capital of Cepac Limited Both Capital House Investments Limited and Europa Holdings Limited are incorporated in the Cayman Islands