

CEPAC LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2000



CEPAC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

Company registration number: 3373762

Registered office: Prince Albert House
2 Kingsmill Terrace
LONDON
NW8 6AA

Directors: Mr J A R Cook
Mr H El Kasar
Mr N D Marsden
Mr D A Saeed
Mr F Stainton
Mr C Addy

Secretary: Gray's Inn Secretaries Limited

Bankers: Barclays Bank plc
Liverpool City Business Centre
4 Water Street
Liverpool
L69 2DU

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

CEPAC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

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CEPAC LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

Principal activity

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

Trade commenced on 1 January 2000.

Business review

There was a loss for the year after taxation amounting to £3,892,122. The directors do not recommend the payment of a dividend.

Directors

The present membership of the Board is set out below. All served on the Board throughout the year, except where indicated otherwise.

Mr J A R Cook

Mr H El Kasar

Mr N D Marsden

Mr D A Saeed

Mr E Short (resigned 20 June 2001)

Mr F Stainton

Mr C Addy (appointed 13 December 2001)

None of the directors had an interest in the company or its parent as at 1 January 2000 and 31 December 2000.

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the company's business.

Directors' responsibilities for the financial statements

Company law requires the directors 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CEPAC LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



F Stainton
Director

28 January 2002

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CEPAC LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of the directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LEEDS

29th January 2001

CEPAC LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

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

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

STOCKS

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

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss 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.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

CEPAC LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	1	11,027,805	-
Cost of sales		<u>(9,534,210)</u>	<u>-</u>
Gross profit		1,493,595	-
Other operating charges	2	<u>(4,689,027)</u>	<u>-</u>
Operating loss		(3,195,432)	-
Net interest	3	<u>(788,381)</u>	<u>-</u>
Loss on ordinary activities before taxation	1	(3,983,813)	-
Tax on loss on ordinary activities	5	<u>91,691</u>	<u>-</u>
Loss for the financial year	13	<u>(3,892,122)</u>	<u>-</u>

There were no recognised gains or losses other than the loss for the financial year

The accompanying accounting policies and notes form an integral part of these financial statements.

CEPAC LIMITED

BALANCE SHEET

For the year ended 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	6	<u>12,084,478</u>	<u>12,269,029</u>
Current assets			
Stocks	7	1,621,669	647,880
Debtors	8	3,422,021	1,544,374
Cash at bank and in hand		<u>1,485</u>	<u>109,416</u>
		<u>5,045,175</u>	<u>2,301,670</u>
Creditors: amounts falling due within one year	9	<u>(7,021,775)</u>	<u>(2,570,699)</u>
Net current liabilities		<u>(1,976,600)</u>	<u>(269,029)</u>
Total assets less current liabilities		<u>10,107,878</u>	<u>12,000,000</u>
Creditors: amounts falling due after more than one year	10	<u>(10,000,000)</u>	<u>(8,000,000)</u>
Net assets		<u>107,878</u>	<u>4,000,000</u>
Capital and reserves			
Called up share capital	12	4,000,000	4,000,000
Profit and loss account	13	<u>(3,892,122)</u>	<u>-</u>
Equity shareholders' funds		<u>107,878</u>	<u>4,000,000</u>

The financial statements were approved by the Board of Directors on 28 January 2002

C Addy

CAddy

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CEPAC LIMITED**CASHFLOW STATEMENT**

For the year ended 31 December 2000

	Note	2000 £	1999 £
Net cash outflow from operating activities	15	<u>(766,474)</u>	<u>(1,333,773)</u>
Returns on investments and servicing of finance			
Interest received		7,387	-
Interest paid		<u>(638,444)</u>	<u>-</u>
Net cash outflow from returns on investments and servicing of finance		<u>(631,057)</u>	<u>-</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(2,046,359)</u>	<u>(10,556,811)</u>
Net cash outflow from capital expenditure and financial investment		<u>(2,046,359)</u>	<u>(10,556,811)</u>
Financing			
Receipts from borrowing		2,000,000	8,000,000
Issue of shares		-	4,000,000
Net cash inflow from financing	16	<u>2,000,000</u>	<u>12,000,000</u>
Decrease in cash	16	<u>(1,443,890)</u>	<u>109,416</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

CEPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

All turnover in the year is attributable to the design and production of corrugated packaging, in the United Kingdom.

The loss on ordinary activities is stated after:

	2000 £	1999 £
Auditors' remuneration:		
Audit services	10,000	-
Non-audit services	5,000	-
Depreciation:		
Tangible fixed assets owned	1,056,797	-
Hire of plant and machinery under operating leases	48,300	-
Other operating lease rentals	<u>101,089</u>	<u>-</u>

2 OTHER OPERATING INCOME AND CHARGES

	2000 £	1999 £
Distribution costs	812,163	-
Administration expenses	<u>3,876,864</u>	<u>-</u>
	<u>4,689,027</u>	<u>-</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
On bank loans and overdrafts	658,169	-
Interest payable to group undertaking	29,442	-
Other interest payable and similar charges	<u>108,157</u>	<u>-</u>
	<u>795,768</u>	<u>-</u>
Other interest receivable and similar income	<u>(7,387)</u>	<u>-</u>
	<u>788,381</u>	<u>-</u>

CEPAC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2000

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2000 £	1999 £
Wages and salaries	2,236,426	269,152
Social security costs	212,092	29,906
Other pension costs	132,824	12,516
	<u>2,581,342</u>	<u>311,574</u>

The average number of employees of the company during the year was 100 (1999: 21).

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	145,388	15,393
Pension contributions to money purchase pension schemes	6,500	-
	<u>151,888</u>	<u>15,393</u>

During the year one director participated in a money purchase pension scheme.

5 TAX ON LOSS ON ORDINARY ACTIVITIES

Unrealised tax losses of £3,000,000 remain available to offset against future taxable trading profits.

The tax credit for the year of £91,691 related to group relief receivable.

6 TANGIBLE FIXED ASSETS

	Assets in course of construction £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2000	-	11,542,836	726,193	12,269,029
Reclassification	-	(29,973)	29,973	-
Additions	484,962	188,381	198,903	872,246
At 31 December 2000	<u>484,962</u>	<u>11,701,244</u>	<u>955,069</u>	<u>13,141,275</u>
Depreciation				
At 1 January 2000	-	-	-	-
Provided in the year	-	854,506	202,291	1,056,797
At 31 December 2000	<u>-</u>	<u>854,506</u>	<u>202,291</u>	<u>1,056,797</u>
Net book amount at 31 December 2000	<u>484,962</u>	<u>10,846,738</u>	<u>752,778</u>	<u>12,084,478</u>
Net book amount at 31 December 1999	<u>-</u>	<u>11,542,836</u>	<u>726,193</u>	<u>12,269,029</u>

CEPAC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2000

7 STOCKS

	2000 £	1999 £
Raw materials	1,387,132	628,578
Tooling	68,170	-
Finished goods	166,367	19,302
	<u>1,621,669</u>	<u>647,880</u>

8 DEBTORS

	2000 £	1999 £
Trade debtors	3,346,921	471,095
VAT recoverable	-	1,020,194
Prepayments and accrued income	75,100	53,085
	<u>3,422,021</u>	<u>1,544,374</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdraft	1,335,959	-
Trade creditors	1,235,748	329,662
Amounts owed to related undertakings	3,312,600	2,084,915
Social security and other taxes	137,786	54,019
Accruals	999,682	102,103
	<u>7,021,775</u>	<u>2,570,699</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank loans	<u>10,000,000</u>	<u>8,000,000</u>

Bank loans are secured by guarantees from group companies. The bank loans are repayable in equal quarterly instalments of £500,000 commencing April 2002.

CEPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

11 BORROWINGS

Borrowings are repayable as follows:

	2000 £	1999 £
Within one year	1,335,959	-
After one and within two years	1,500,000	-
After two and within five years		
Bank loans	6,000,000	5,500,000
After five years		
Bank loans	2,500,000	2,500,000
	<u>11,335,959</u>	<u>8,000,000</u>

12 SHARE CAPITAL

	2000 £	1999 £
Authorised:		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid:		
4,000,000 ordinary shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>

13 RESERVES

	Profit and loss account £
At 1 January 2000	-
Retained loss for the financial year	3,892,122
At 31 December 2000	<u>3,892,122</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(3,892,122)	-
Issue of shares	-	3,999,998
Net decrease in shareholders' funds	<u>(3,892,122)</u>	<u>3,999,998</u>
Shareholders' funds at 1 January 2000	<u>4,000,000</u>	<u>2</u>
Shareholders' funds at 31 December 2000	<u>107,878</u>	<u>4,000,000</u>

CEPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

15 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating loss	(3,195,432)	-
Depreciation	1,056,797	-
Increase in stock	(973,789)	(647,880)
Increase in debtors	(1,877,647)	(1,544,374)
Increase in creditors	4,223,597	858,481
Net cash outflow from operating activities	<u>(766,474)</u>	<u>(1,333,773)</u>

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Decrease in cash in the year	1,443,890	(109,416)
Receipts from borrowing	2,000,000	8,000,000
Change in net debt resulting from cash flows	3,443,890	7,890,584
Net debt at 1 January 2000	7,890,584	-
Net debt at 31 December 2000	<u>11,334,474</u>	<u>7,890,584</u>

17 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2000 £	Cash flow £	At 31 Dec 2000 £
Cash in hand, at bank	109,416	(107,931)	1,485
Overdraft	-	(1,335,959)	(1,335,959)
	<u>109,416</u>	<u>(1,443,890)</u>	<u>(1,334,474)</u>
Debt due after one year	(8,000,000)	(2,000,000)	(10,000,000)
	<u>(7,890,584)</u>	<u>(3,443,890)</u>	<u>(11,334,474)</u>

18 CAPITAL COMMITMENTS

	2000 £	1999 £
Contracted for but not provided in these financial statements	<u>543,168</u>	<u>60,000</u>

CEPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

19 PENSIONS

Defined Contribution Scheme

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

20 LEASING COMMITMENTS

Operating lease payments amounting to £803,521 (1999: £606,105) are due within one year. The leases to which these amounts relate expire as follows:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Between two and five years	-	149,389	-	72,612
In five years or more	654,132	-	533,493	-
	<u>654,132</u>	<u>149,389</u>	<u>533,493</u>	<u>72,612</u>

21 CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking and controlling related party of this company is HSA Trading, a company incorporated in the Yemen Arab Republic.

The directors consider Europa Investments SA, a company incorporated in Luxembourg, to be its immediate parent company.

Under FRS 8 the company is exempt from the requirement to disclose transactions with other group companies on the basis that it is more than 90% owned and its results are consolidated into that of the parent company.