



ARTHUR ANDERSEN

BBA China Holdings No. 1 Limited
(formerly Ever 1114 Limited)

Financial statements 31 December 1999
together with directors' and auditors' reports

Registered number: 3708749



LD7
COMPANIES HOUSE

MLF8QCV74X

0509
31/10/00

Directors and advisors

Directors

S.M.F. Shaw

A.C. Morris

Secretary

S.M.F. Shaw

Registered office

70 Fleet Street

London

EC4Y 1EU

Auditors

Arthur Andersen

1 Surrey Street

London

WC2R 2PS

Directors' report

For the period ended 31 December 1999

The directors present their report, together with the audited financial statements of the Company, for the period ended 31 December 1999.

Principal activity and business review

The Company was incorporated on 4 February 1999 to hold the investment in the Airlaid business being set up in China. The principal activity of the Company is that of an investment holding company.

On 1 June 1999 the Company issued 99 new ordinary shares of £1 each to BBA Overseas Holdings Limited, for a price of \$13,000,000 (£8,227,848).

On 1 June 1999 the Company subscribed for 50 new ordinary shares of NLG 1,000 each in BBA China Holdings BV for a consideration of \$13,000,000 (£8,227,849), being all the assets and liabilities of the Company.

On 18 October 1999 the Company issued 50 new ordinary shares of £1 each to BBA Overseas Holdings Limited for a price of \$5,000,000 (£3,012,048).

On 18 October 1999 the Company subscribed for 10 new ordinary shares of NLG 1,000 each in BBA China Holdings BV for a consideration of \$5,000,000 (£3,012,048), being all the assets and liabilities of the Company, except for its existing shareholding in BBA China Holdings BV.

On 29 November 1999, the Company issued 50 new ordinary shares of £1 each to BBA Overseas Holdings Limited for a price of \$5,000,000 (£3,105,590).

On 29 November 1999, the Company subscribed for 10 new ordinary shares of NLG 1,000 each in BBA China Holdings BV for a consideration of \$5,000,000 (£3,105,590), being all the assets and liabilities of the Company, except for its existing shareholding in BBA China Holdings BV.

Results and dividends

The company has no reported profit or loss for the period.

During the year the Company paid no dividends. The directors do not recommend payment of a final dividend.

Change of name

The Company changed its name from Ever 1114 Limited to BBA China Holdings No. 1 Limited with effect from 27 April 1999.

Directors and their interests

The directors who held office during the period were:

S.M.F. Shaw

A. C. Morris (appointed 24 May 1999)

W.A. Thompson (resigned 29 September 2000)

Everdirector Limited (resigned 28 April 1999)

Directors' report (continued)

Directors (continued)

The directors in office at the end of the year had interests in the shares of BBA Group plc, the ultimate holding company, as follows:

| | 25p Ordinary shares | | | |
|---------------|---------------------|-------------------|----------------------|-------------------|
| | Shares held | | Share option schemes | |
| | 31 December 1999 | 1 January 1999 | 31 December 1999 | 1 January 1999 |
| S.M.F. Shaw | 4,217 | 1,020 | 22,893 | 22,893 |
| A. C. Morris | - | - | 57,696 | 53,396 |
| W.A. Thompson | 20,934 | 25,956 | 84,401 | 65,901 |

In addition as at 31 December 1999, S.M.F. Shaw had been awarded 14,212 restricted shares (1998: nil) and 7,028 matched shares (1998: nil) under the BBA Group Long Term Incentive Plan. Further details of this Plan can be found in the BBA Group consolidated accounts.

Year 2000

The Company did not experience any significant problems across its systems with the roll over to Year 2000 and no significant problems have arisen since that date. Any costs associated with the Year 2000 problem have been borne by BBA Group plc and have been disclosed in the BBA Group plc consolidated accounts for the period.

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 the Company's affairs at the end of the year and of the profit or loss of the Company for the year. 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

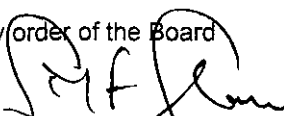
Directors' report (continued)

Directors' responsibilities for the financial statements (continued)

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities.

70 Fleet Street
London
EC4 Y1EU

By order of the Board



S.M.F. Shaw

Director

30 October 2000

To the Shareholders of BBA China Holdings No. 1 Limited:

We have audited the financial statements on pages 6 to 9, which have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on pages 3 and 4, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 the Company's affairs as at 31 December 1999 and of its result for the period then ended have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

30 October 2000

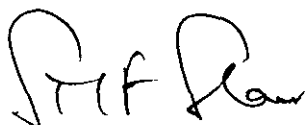
Balance sheet

At 31 December 1999

| | Notes | 1999 £ |
|-----------------------------------|-------|-------------------|
| Fixed asset investments | 3 | <u>14,345,487</u> |
| Net assets | | <u>14,345,487</u> |
| Capital and reserves | | |
| Called-up share capital | 4 | 200 |
| Share premium account | 5 | 14,345,287 |
| Profit and loss account | 5 | <u>-</u> |
| Equity shareholders' funds | | <u>14,345,487</u> |

The Company has no reported profit or loss for the period.

These financial statements were approved by the Board of Directors on ~~30~~ October 2000 and are signed on its behalf by:



S.M.F. Shaw
Director

The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements

For the period ended 31 December 1999

1 Accounting policies

The principal accounting policies are set out below and have been applied consistently throughout the current period.

a) Basis of accounting

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

b) Investments

Investments in subsidiary undertakings are stated at cost less amounts written off for impairments in value.

c) Dividends

Credit is taken in the financial statements only for dividends received or declared prior to the balance sheet date by subsidiary undertakings.

d) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rates of exchange at the balance sheet date.

Exchange differences arising from the translation of foreign currency loans which are used to finance equity investments are taken direct to reserves. Other exchange differences are reflected in the operating profit for the year.

e) Taxation

Provision for UK corporation tax on the profits of the company is made in the accounts of the ultimate parent company.

The ultimate parent company also makes provision for the company, under the liability method, for deferred taxation arising from accelerated capital allowances on capital expenditure and other timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

f) Consolidation and cash flow statement

Consolidated financial statements are not prepared because the Company is a wholly owned subsidiary company of another company registered in England and Wales which produces consolidated financial statements including the results of the company for the year which are available to the public.

Under Financial Reporting Standard Number 1 (Revised 1996), no cash flow has been prepared for the company because the ultimate parent company, BBA Group plc, incorporated and registered in England and Wales, has prepared consolidated financial statements which include the results of the company for the year and are available to the public.

Notes to the financial statements (continued)

2 Staff numbers and costs

There were no full time employees other than directors during the year and the aggregate payroll costs were £nil. No director received any remuneration in the current or prior year.

3 Fixed asset investments

| | 1999 £ |
|--|-------------------|
| Shares in subsidiary undertakings | |
| Cost at incorporation on 4 February 1999 | - |
| Additions during the period | 14,345,487 |
| Cost at 31 December 1999 | <u>14,345,487</u> |

At the period end, the Company's share holdings in subsidiary undertakings were as follows:

| | Country of incorporation, registration and operation | % of ordinary share capital owned by the company |
|-----------------------|---|---|
| BBA China Holdings BV | The Netherlands | 100% |

4 Called up share capital

| | 1999 £ |
|---|------------|
| <i>Authorised</i> | |
| 1000 ordinary shares of £1 each | 1000 |
| <i>Allotted, called up and fully paid</i> | |
| 200 ordinary shares of £1 each | <u>200</u> |

5 Movement in reserves

| | Share premium account £ | Profit and loss account £ |
|-------------------------------------|----------------------------------|---------------------------------|
| At incorporation on 4 February 1999 | - | - |
| On shares issued during the period | 14,345,287 | - |
| At 31 December 1999 | <u>14,345,287</u> | <u>-</u> |

6 Ultimate parent company

The ultimate holding company is BBA Group plc which is registered in England and Wales. BBA Group is the only company which prepares group financial statements incorporating the financial statements of the Company. These group financial statements are available to the public from the Company Secretary of BBA Group plc at 70 Fleet Street, London EC4Y 1EU.

As a subsidiary company of BBA Group plc, the Company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by BBA Group plc.