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Company No: 3407140 (England and Wales)

Copap Holdings (UK) Limited

Group Financial Statements

For the Year Ended 31 December 2004



Copap Holdings (UK) Limited

Company Information

Directors	G R J Davis P A Wallis
Secretary	CHT Secretaries Limited
Company number	3407140
Registered office	3 Sheldon Square London W2 6PS
Auditors	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS

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Copap Holdings (UK) Limited

Directors' report

The directors submit their report and the group financial statements of Copap Holdings (UK) Limited for the year ended 31 December 2004.

Principal activities

The group primarily trades paper and pulp products worldwide, with agents and offices in Europe and North America. It also holds a few real estate investments.

Results and dividends

The group retained a profit for the year of £999,220 (2003: £43,232) after the directors recommended the payment of ordinary dividends from reserves during the year of £nil (2003: £313,508). The balance of the profit and loss account has been transferred to reserves.

Review of the business

The directors consider the business activities during the year and its position at the year end to be satisfactory and are confident that the future prospects for the group are good.

Directors

The following directors have held office since 1 January 2004:

G R J Davis
P A Wallis

Neither of the directors had any interest in the share capital of the company during the year.

Creditors payment policy

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay suppliers in accordance with the company's contractual and other legal obligations.

Copap Holdings (UK) Limited

Directors' report (continued)

Directors' responsibilities

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 group, and of the profit or loss of the group 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; and
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the financial position of the group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

MRI Moores Rowland LLP, a United Kingdom representative of Moores Rowland International, have expressed their willingness to remain in office and, in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

For and on behalf of the board

Pamela Wallis.....

P A Wallis - Director

Date: 11/2/05

Independent report of the auditors to the shareholders of Copap Holdings (UK) Limited

We have audited the financial statements of Copap Holdings (UK) Limited on pages 5 to 27 for the year ended 31 December 2004 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group balance sheet, the company balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

As described in the statement of directors' responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 with the company and other members of the group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes the 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 group'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.

Copap Holdings (UK) Limited

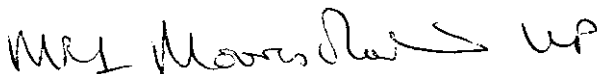
Independent report of the auditors to the shareholders of Copap Holdings (UK) Limited (continued)

Qualified opinion relating from disagreement about the reporting of turnover

As explained in note 2, the group reports turnover such that it includes 100% of the turnover of the associate, less the element relating to sales made to the group, along with that of the group, less the element relating to sales made to the associate, on the face of the profit and loss account. This basis of reporting turnover is not in accordance with Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements" which provides for the group to report only its 30% (2003: 25%) share of the turnover of the associate. The turnover reported over and above its share of the turnover of the associate is £73,356,629 (2003: £76,755,470).

The reporting of the turnover by the group has no impact on the rest of the profit and loss account.

In our opinion, except for the disagreement in respect of the reporting of turnover, the financial statements give a true and fair view of the state of the group and company's affairs at 31 December 2004 and of the group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



MRI Moores Rowland LLP

Chartered Accountants

Registered Auditors

3 Sheldon Square

London

W2 6PS

Date: 1/12/05

Copap Holdings (UK) Limited

Group profit and loss account for the year ended 31 December 2004

	Note	2004 £	2003 £
Turnover: group and associate	2	199,806,872	201,390,194
Adjustments to turnover			
Less: turnover of associate		(139,125,323)	(140,106,661)
Add: turnover of group to associate		24,031,097	28,264,451
Group turnover	1(d)	84,712,646	89,547,984
Cost of sales		(80,658,312)	(84,241,775)
Group gross profit		4,054,334	5,306,209
Commissions revenue		835,975	782,081
Rental income		18,741	12,736
Operating expenses			
- non-exceptional		(4,134,569)	(4,679,021)
- exceptional	4	(26,016)	(325,759)
Group operating profit		748,465	1,096,246
Share of operating profit of associate		2,122,960	1,139,667
Amortisation of goodwill arising on purchase of shares in associate	13	(119,337)	-
Total operating profit: group and share of associate		2,752,088	2,235,913
Interest receivable	5	50,786	34,667
Interest payable	6	(1,104,204)	(1,259,128)
Profit on ordinary activities before taxation	3	1,698,670	1,011,452
Taxation on profit on ordinary activities			
- non exceptional	8	(708,995)	(613,495)
- exceptional	4,8	9,515	(170,048)
Profit on ordinary activities after taxation		999,190	227,909
Minority interest - equity		30	128,831
Profit for the year attributable to the members of the group		999,220	356,740
Dividends	10	-	(313,508)
Retained profit for the year	23	999,220	43,232

The results for the year are all derived from the group's continuing activities.

Copap Holdings (UK) Limited

**Group statement of total recognised gains and losses
for the year ended 31 December 2004**

	Notes	2004 £	2003 £
Profit for the year		990,220	356,740
Exchange differences on retranslation of net assets of subsidiary undertakings	24	16,468	49,340
Total gains and losses recognised during the year		<u>1,006,688</u>	<u>406,080</u>

Copap Holdings (UK) Limited

Group balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible	11	595,567	596,851
Investment in associated undertaking	13	2,809,102	1,214,084
Investment – other	14	39,006	39,006
		<u>3,443,675</u>	<u>1,849,941</u>
Current assets			
Stock	15	8,275,256	8,649,809
Debtors	16	5,884,558	6,530,959
Investments	17	550,994	550,715
Cash at bank and in hand		8,074,183	6,298,919
		<u>22,784,991</u>	<u>22,030,402</u>
Creditors: amounts falling due within one year	18	<u>(20,165,727)</u>	<u>(15,505,442)</u>
Net current assets		<u>2,619,264</u>	<u>6,524,960</u>
Total assets less current liabilities		<u>6,062,939</u>	<u>8,374,901</u>
Creditors: amounts falling due after more than one year	19	<u>(2,107,624)</u>	<u>(5,411,473)</u>
Net assets before minority interest		<u>3,955,315</u>	<u>2,963,428</u>
Minority interest			
Equity interest	20	46	16
Non-equity interest	21	(307,688)	(331,459)
		<u>3,647,673</u>	<u>2,631,985</u>
Capital and reserves			
Share capital	22	301,000	301,000
Profit and loss account	23	3,346,673	2,330,985
Shareholders' funds - equity	24	<u>3,647,673</u>	<u>2,631,985</u>

Approved by the Board on 1/12/05

Pamela Wallis


P A Wallis - Director

Copap Holdings (UK) Limited

Company balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Investments in group undertakings	12	1,091,076	951,663
Investment in associated undertaking	13	775,152	170,367
Investment - other	14	39,006	39,006
		<u>1,905,234</u>	<u>1,161,036</u>
Current assets			
Debtors	16	51,262	57,603
Cash at bank and in hand		8,458	8,675
		<u>59,720</u>	<u>66,278</u>
Creditors: amounts falling due within one year	18	(1,213,234)	(232,213)
Net current liabilities		<u>(1,153,514)</u>	<u>(165,935)</u>
Total assets less current liabilities		<u>751,720</u>	<u>995,101</u>
Capital and reserves			
Called up share capital	22	301,000	301,000
Profit and loss account	23	450,720	694,101
Shareholders' funds - equity	24	<u>751,720</u>	<u>995,101</u>

Approved by the Board on 1/12/05



P A Wallis - Director

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

1. Accounting policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

(b) Consolidation basis

The group accounts consolidate the accounts of Copap Holdings (UK) Limited and its subsidiary undertakings to 31 December 2004. The group uses the acquisition method of accounting to consolidate the results of its subsidiary undertakings worldwide. The results of the subsidiaries acquired and sold are included in the profit and loss account up to or from the date control passes. Intra group sales and profits are eliminated on consolidation.

Associates are those companies in which the group has a significant influence but no control. Associates are accounted for using the equity method, whereby the investment is initially recorded at cost and thereafter is adjusted for the post-acquisition change in the investor's share of net assets. The profit and loss account reflects the investor's share of the results of operations of the associate.

No profit and loss account is presented for Copap Holdings (UK) Limited per section 230 of the Companies Act 1985.

(c) Goodwill

Purchased goodwill arising on acquisition is capitalised, classified as an asset in the balance sheet and amortised over its estimated useful life up to a maximum of 3 years. This length of time is presumed to be the maximum useful life of the purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition, and subsequently as and when circumstances arise that indicate that the carrying value may not be recoverable.

(d) Turnover

Turnover represents sales of paper and pulp products worldwide upon transfer of property or title thereto, usually at the time of shipment. It is stated net of any value added tax and any other sales tax and trade discounts.

The turnover of the group is that of Copap Holdings (UK) Limited and its subsidiary undertakings, after subtracting amounts relating to sales made by one group company to another.

(e) Commissions

The group earns commissions from the trade of paper and pulp products worldwide.

**Notes to the financial statements
for the year ended 31 December 2004**

1. Accounting policies (continued)

(f) Leases

Rentals payable under operating leases are charged against income on a straight line basis over the term of the lease.

(g) Deferred taxation

Deferred taxation is recognised on all timing differences where transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred taxation assets are recognised when it is more likely than not that they will be recovered.

Deferred taxation is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(h) Fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of fixed assets on a straight line basis over their estimated useful lives:

Buildings	- 20 years
Leasehold improvements	- 5 years
Fixtures and fittings	- 3 to 5 years
Office equipment	- 3 to 7 years
Motor vehicles	- 4 years

(i) Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

(j) Foreign currencies

Transactions in foreign currencies are converted at the monthly average rate of exchange for the year, except where the transaction is to be settled at a contracted rate in which case the contracted rate of exchange is used.

Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange ruling at the balance sheet date. All gains and losses are taken to the profit and loss account.

The accounts of the subsidiary undertakings are converted at the rate of exchange ruling at the balance sheet date. The exchange gains and losses arising on the retranslation of opening net assets are taken directly to reserves.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

1. Accounting policies (continued)

(k) Stock

Stock is stated at the lower of cost and net realisable value. The cost of stock is determined on a first-in, first-out basis.

(l) Cashflow

Under FRS1 (revised), the group is exempt from producing a cashflow statement since it is a 100% subsidiary of a company, Copap Participations Limited, that produces consolidated accounts. These accounts are available to the public from 9 Myrtle Street, Douglas, Isle of Man IM1 1ED.

2. Turnover

In the opinion of the directors, the disclosure of turnover by class of business and geographical market would be seriously prejudicial to the interests of the group.

The turnover of the group and the associate comprises that of the group, after adjusting for sales made to the associate, and 100% of the turnover of the associate, after adjusting for sales made to the group.

In order to arrive at the turnover of the group, as reported in accordance with Accounting Standards in the United Kingdom (see note 1(d) for details regarding these reporting requirements), adjustments have therefore been made to reverse out the turnover relating to the associate and to add back the turnover relating to the group.

3. Profit on ordinary activities before taxation

	2004 £	2003 £
The profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of goodwill	119,337	-
Depreciation	64,434	59,716
Operating lease rentals		
- plant and machinery	19,085	25,634
- other	150,003	124,854
Auditors' remuneration		
- audit fee	5,700	-
- fee for non-audit services	30,219	34,450
Exchange difference on foreign currency borrowings	204,928	(52,638)
	<hr/>	<hr/>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

4. Exceptional item

On 10 May 2004, Oliver Toutin, the former director of one of the group's subsidiary undertakings, Latitude Paper and Board SAS, was found guilty by the "11eme Chambre Correctionnelle du Tribunal de Grande Instance de Paris" of, in past years, having misused company property and having committed forgery, and was sentenced to a suspended prison term of 10 months and ordered to pay damages. The 2003 exceptional item relates to costs incurred and provisions made by the group during the year in relation to the removal of Oliver Toutin as a director in 2003, including those in preparing a number of cases against him, an agent, a consultant and a supplier suspected of collusion or conspiracy.

A provision was also made in 2003 for the consideration likely to be payable for the acquisition on 24 November 2003, by Copap Holdings (UK) Limited, of his 25.05% shareholding in Latitude Paper and Board SAS.

The exceptional item in 2004 of £26,016 relates to an under-provision in 2003 of the costs associated with the removal of Oliver Toutin as a director of Latitude Paper and Board SAS.

5. Interest receivable and similar income

	2004 £	2003 £
Bank interest	34,649	26,451
Share of associate's interest receivable	16,137	8,216
	<u>50,786</u>	<u>34,667</u>

6. Interest payable and similar charges

	2004 £	2003 £
On amounts owed to the parent undertaking	163,239	342,433
On amounts owed to the associated undertaking	-	70,775
Bank interest	465,561	541,396
Share of associate's interest payable	475,404	304,524
	<u>1,104,204</u>	<u>1,259,128</u>

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2004****7. Staff costs**

	2004	2003
	£	£
Wages and salaries	1,125,227	1,286,909
Social security costs	199,360	226,381
	<u>1,324,587</u>	<u>1,513,290</u>

The average monthly number of persons, including directors, employed by the group during the year was:

	2004	2003
	No.	No.
General management and sales	25	23
	<u>25</u>	<u>23</u>

Directors' emoluments

Neither of the directors received any remuneration.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

8. Taxation on profit on ordinary activities

(a) Analysis of tax charge for the year	2004 £	2003 £
Current tax		
UK corporation tax on the profit for the year	-	-
Foreign tax		
Current tax on profit for the year	108,206	598,950
Adjustments in respect of prior years	(5,742)	(82,929)
Share of associate's tax charge	588,468	301,586
	<hr/>	<hr/>
Total current tax	690,932	817,607
Deferred tax		
Origination and reversal of timing differences	8,548	(34,064)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>699,480</u>	<u>783,543</u>

(b) Factors affecting tax charge for the year

	2004 £	2003 £
Profit on ordinary activities before tax	1,698,670	1,011,452
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	509,601	303,436
Effects of:		
Different tax rates on overseas earnings	187,073	597,100
Adjustments in respect of prior years	(5,742)	(82,929)
	<hr/>	<hr/>
Current tax for the year	<u>690,932</u>	<u>817,607</u>

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2004****9. (Loss)/profit of the parent company**

The parent company's loss (2003: profit) for the year before the payment of dividends was £243,381 (2003: £162,305).

10. Dividends

	2004 £	2003 £
Ordinary dividends:		
Interim dividend paid of £nil (2003: £1.042) per share	-	313,508
	<u> </u>	<u> </u>

Copap Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2004**

**11. Tangible fixed assets
Group**

	Land & buildings £	Leasehold improvements £	Fixtures & fittings £	Office equipment £	Motor vehicles £	Total £
<u>Cost:</u>						
At 1 January 2004	515,495	202,352	378,219	117,286	19,063	1,232,415
Foreign exchange profit/ (loss) on retranslation	262	(14,511)	(25,568)	(3,410)	10	(43,217)
Additions	-	12,077	35,053	20,607	-	67,737
Disposals	-	-	-	(3,379)	-	(3,379)
At 31 December 2004	<u>515,757</u>	<u>199,918</u>	<u>387,704</u>	<u>131,104</u>	<u>19,073</u>	<u>1,253,556</u>
<u>Accumulated depreciation:</u>						
At 1 January 2004	21,471	187,452	351,575	74,419	647	635,564
Foreign exchange profit/ (loss) on retranslation	10	(13,442)	(25,154)	(1,985)	2	(40,569)
Charge for the year	28,643	4,745	9,713	17,518	3,815	64,434
Disposals	-	-	-	(1,440)	-	(1,440)
At 31 December 2004	<u>50,124</u>	<u>178,755</u>	<u>336,134</u>	<u>88,512</u>	<u>4,464</u>	<u>657,989</u>
<u>Net book value:</u>						
At 31 December 2004	<u>465,633</u>	<u>21,163</u>	<u>51,570</u>	<u>42,592</u>	<u>14,609</u>	<u>595,567</u>
At 31 December 2003	<u>494,024</u>	<u>14,900</u>	<u>26,644</u>	<u>42,867</u>	<u>18,416</u>	<u>596,851</u>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

12. Fixed asset investments – group undertakings

	2004 £	Company 2003 £
Shares in subsidiary undertakings	1,091,076	951,663
	<u> </u>	<u> </u>
		Shares in subsidiary undertakings £
<u>Cost:</u>		
At 1 January 2004		951,663
Additions		1,145,121
Disposals		(889,250)
		<u> </u>
At 31 December 2004		<u>1,207,534</u>
<u>Provision for diminution in value:</u>		
At 1 January 2004		-
Provision made in the year		116,458
		<u> </u>
At 31 December 2004		<u>116,458</u>
<u>Net book value:</u>		
At 31 December 2004		<u>1,091,076</u>
		<u> </u>
At 31 December 2003		<u>951,663</u>

During year ended 31 December 2004, a provision for diminution in value was made against the cost of the investment in Latitude Paper and Board SAS as, in the directors' opinion, its fair value is now less than its original cost.

Additional information on the subsidiary undertakings:

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
C.E.P.A.P. S.A.R.L.	France	Ordinary	100%	Paper and pulp
Cepap Espana S.A.	Spain	Ordinary	100% *	Paper and pulp
Latitude Paper and Board S.A.S.	France	Ordinary	100%	Paper and pulp
Latitude Paper and Board (UK) Limited	UK	Ordinary	100% *	Paper and pulp
Copap Trading Inc.	Canada	Ordinary Class D preference	100%	Holding company
Copap Inc.	Canada	Ordinary	100%*	Paper and pulp
Copap Property Holdings Limited	UK	Ordinary	100%	Holding company
SCI Bis Rue De Siam	France	Ordinary	99.9% *	Real estate

* Indicates indirect ownership

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

13. Fixed asset investments – associated undertaking

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Interests in associated undertaking	2,809,102	1,214,084	775,152	170,367
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
				£
Company				
Cost:				
At 1 January 2004				170,367
Additions				604,785
				<u> </u>
At 31 December 2004				775,152
				<u> </u>
Group			£	£
Cost				
At 1 January 2004				170,367
Group share of post acquisition reserves:				
At 1 January 2004		1,043,717		
Exchange difference		92,827		
Share of retained profits for the year		1,075,225		
Share of net assets acquired		257,129		
Unrealised profit		(58,482)		
		<u> </u>		
				2,410,416
				<u> </u>
Share of net assets				2,580,783
				<u> </u>
Goodwill arising on acquisition, less amortisation				228,319
				<u> </u>
Net investment in associated undertaking				2,809,102
				<u> </u>
On 20 February 2004, Copap Holdings (UK) Limited purchased a further 5% of the share capital of European Paper Trading SA ("Valpaco") for cash consideration of EUR 875,000:				£
Net assets acquired				257,129
Goodwill				347,656
				<u> </u>
				604,785
				<u> </u>
Satisfied by cash				604,785
				<u> </u>

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2004****13. Fixed asset investments – associated undertaking (continued)****Goodwill**

	£
<u>Cost:</u>	
At 1 January 2004	-
Additions	347,656
At 31 December 2004	<u>347,656</u>
<u>Amortisation:</u>	
At 1 January 2004	-
Charge for the year	119,337
At 31 December 2004	<u>119,337</u>
<u>Net book value:</u>	
At 31 December 2004	228,319
At 31 December 2003	<u>-</u>

Additional information on the associated undertaking:

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
European Paper Trading SA ("Valpaco")	France	Ordinary	30%	Paper and pulp

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

13. Fixed asset investments – associated undertaking (continued)

Additional disclosures required for the associated undertaking:

The group's share of the associated undertaking, European Paper Trading S.A. and its subsidiary undertakings is as follows:

	£	2004 £	£	2003 £
Share of turnover		<u>41,737,597</u>		<u>35,074,004</u>
Share of profit before tax	1,663,693		843,358	
Share of taxation	<u>(588,468)</u>		<u>(301,586)</u>	
Share of profit after tax		<u>1,075,225</u>		<u>541,772</u>
Share of assets:				
Fixed assets	67,765		55,359	
Current assets	<u>17,879,185</u>		<u>12,073,511</u>	
		17,946,950		12,128,870
Share of liabilities:				
Due within one year	<u>(15,366,167)</u>		<u>(10,914,786)</u>	
		<u>(15,366,167)</u>		<u>(10,914,786)</u>
Share of net assets		<u>2,580,783</u>		<u>1,214,084</u>

14. Fixed asset investments - other

	Group and Company 2004 £	2003 £
Other significant holdings	<u>39,006</u>	<u>39,006</u>

Additional information on other significant holdings:

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
COAP Promociones Inversiones S.L.	Spain	Ordinary	25.075%	Property

This investment is not accounted for as an associated undertaking, despite the shareholding being in excess of 20%, since the Group does not have a significant influence over the operating and financial policies of the company.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

15. Stock

	Group	
	2004 £	2003 £
Paper and pulp for resale	8,275,256	8,649,809

16. Debtors

	Group		Company	
Amounts due within one year:	2004 £	2003 £	2004 £	2003 £
Trade debtors	18,681,368	14,804,335	-	-
Less: sale proceeds	(14,935,994)	(12,196,228)	-	-
	3,745,374	2,608,107	-	-
Amounts due by subsidiary undertakings	-	-	606	6,962
Amounts due by fellow subsidiary undertakings	125,602	117,031	-	-
Amounts due by associated undertakings	1,753,506	3,383,659	-	-
Other debtors	50,657	72,391	50,656	50,641
Prepayments and accrued income	97,189	80,920	-	-
Corporation tax	59,595	220,025	-	-
Deferred tax asset	25,516	34,064	-	-
	5,857,439	6,516,197	51,262	57,603

During the year the group factored certain debts. The group sold these debts under the terms of the factoring arrangement for cash. Interest on the factored debts was calculated on the daily balance on the account at a rate of 3% as at 31 December 2004.

Under the terms of the factoring arrangement, the factoring company supports any losses arising on up to 90% of the value of the assigned debt, being equal to the amount that they advance to the company. The company itself suffers any losses arising from non-payment by the debtor in respect of the remaining 10% of the value of the debt.

The deferred tax asset relates to accelerated capital allowances.

Amounts due in more than one year:

	Group	
	2004 £	2003 £
Other debtors	27,119	14,762

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

17. Current asset investments

	Group	
	2004	2003
	£	£
Amounts held on deposit	550,994	550,715

This bank deposit represents security for a bank loan taken out by a group company (see note 19 for further details).

18. Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans	1,413,126	1,345,169	-	-
Trade creditors	16,035,749	13,528,838	-	-
Amounts due to parent undertaking	2,109,827	412,416	1,080,995	84,033
Amounts due to fellow subsidiary undertakings	506,401	-	2,644	-
Amounts due to subsidiary undertakings	-	-	81,431	115,074
Corporation tax	5,735	170,399	-	-
Other creditors	40,272	23,194	27,254	23,194
Accruals and deferred income	54,617	25,426	20,910	9,912
	<u>20,165,727</u>	<u>15,505,442</u>	<u>1,213,234</u>	<u>232,213</u>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

19. Creditors: amounts falling due after more than one year

	2004 £	Group 2003 £
Bank loan	529,802	529,533
Amount due to parent undertaking	-	4,881,940
Amount due to fellow subsidiary undertaking	1,577,822	-
	<u>2,107,624</u>	<u>5,411,473</u>

A bank loan of £529,802 (2003: £529,533), which bears interest at a rate of 3.17% (2003: 3.13%) and is due for repayment on 13 May 2008, is secured by a cash deposit of £550,994 (see note 17). The amount due to the fellow subsidiary undertaking bears interest at a rate of 10% and is due for repayment on 1 January 2006.

20. Minority interest - Equity

The minority interest relates to the 0.1% of the ordinary shares of SCI Bis Rue De Siam held outside the Group.

21. Minority interest - Non equity

Included in the share capital of Copap Trading Inc are 10,000 Class B preference shares which are non-voting, non-cumulative and which are redeemable at US\$58.95 each. The holder of these shares has no rights against any other Group company.

The movement in value is due to the movement in the exchange rate of US\$ to £ during the year.

22. Called up share capital

	2004 £	2003 £
Authorised		
349,000 ordinary shares of £1 each	349,000	349,000
1,000 6% non cumulative redeemable preference shares of £1 each	1,000	1,000
	<u>350,000</u>	<u>350,000</u>
	<u>2004 £</u>	<u>2003 £</u>
Allotted, issued and fully paid		
301,000 ordinary shares of £1 each	301,000	301,000

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

23. Profit and loss reserve

	Group £	Company £
1 January 2004	2,330,985	694,101
Retained profit/(loss) for the year	999,220	(243,381)
Exchange differences on retranslation of net assets of subsidiary undertakings	16,468	-
31 December 2004	<u>3,346,673</u>	<u>450,720</u>

24. Reconciliation of movement in shareholders' funds

	2004 £	Group 2003 £	2004 £	Company 2003 £
Profit/(loss) for the year	999,220	356,740	(243,381)	162,305
Dividends	-	(313,508)	-	(313,508)
	<u>999,220</u>	<u>43,232</u>	<u>(243,381)</u>	<u>(151,203)</u>
Other recognised gains and losses in the year	16,468	49,340	-	-
Net addition to/(depletion in) shareholders' funds	<u>1,015,688</u>	<u>92,572</u>	<u>(243,381)</u>	<u>(151,203)</u>
Opening shareholders' funds	2,631,985	2,539,413	995,101	1,146,304
Closing shareholders' funds	<u>3,647,673</u>	<u>2,631,985</u>	<u>751,720</u>	<u>995,101</u>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

25. Related party transactions

During the year, the group entered into the following transactions at fair value with related parties:

	Sales	Purchases	Commissions expense	Other revenue/ (expense)	Amounts owed by	Amounts owed to
	£	£	£	£	£	£
Year to 31 December 2004						
European Paper Trading SA ("Valpaco")	24,031,097	-	-	-	1,753,506	-
Barber S.A.R.L.		-	-	-	-	2,076,608
Brockmoor Trading Limited	657,780	-	-	-	-	2,644
C.E.P.A.P. S.A.R.L.	1,400,411	(15,120)	-	-	125,602	-
Copap Inc. SA	40,350	(6,823,467)	-	-	-	4,971
Copap Participations Limited		-	-	-	-	2,109,827
					125,602	4,194,050

Year to 31 December 2003

European Paper Trading SA ("Valpaco")	28,264,451	(189,355)	-	(70,775)	3,383,659	-
Copap International Limited	3,182,465	(151,453)	-	7,337	76,062	-
Copap Chile SA	67,052	-	-	-	11,877	-
Copap Inc. SA	-	-	(428,422)	-	29,092	-
Copap Participations Limited	-	-	-	(342,433)	-	(5,294,356)
					117,031	(5,294,356)

European Paper Trading SA ("Valpaco") is an associated undertaking.

Barber S.A.R.L., Brockmoor Trading Limited, C.E.P.A.P. S.A.R.L., and Copap Inc S.A. are parties under common control.

Copap Participations Limited is the parent company.

The amounts owed by Valpaco all arise from trading activities.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

26. Financial instruments

a. Credit facilities

The group extended or renewed credit facilities of approximately £32,074,430 (2003: £26,601,642) subject to a number of covenants with several banks in Europe, and North and South Americas during 2004:

- i) £22,621,298 is available to sell 100% of credit-insured debtors of up to 180 days. At 31 December 2004, the group sold credit-insured debtors of £14,935,994. The group applied the proceeds thereof against debtors. Concomitantly, the banks hold a recourse against the insurer for credit insurance of 90% and the group for the residual 10% upon default in the event of non payment. The company has guaranteed up to £6,481,711 of the advances made to the group by the banks;
- ii) £2,167,805 of the £22,621,298 under (i) is available as overdraft advances or to issue letters of credit or guarantee, subject to collateral on deposit with the banks ranging from 20% to 100% thereof. At 31 December 2004, the group issued letters of credit for £254,933 and guarantee for £317,689;
- iii) £1,300,683 of the £2,167,805 under (ii) and £22,621,298 under (i) is available to finance inventories subject to a first rank pledge thereon. At 31 December 2004, the group financed inventories for £1,687,098; and
- iv) £5,177,356 is available to the group and was used in part to hedge foreign currency risks (note 26.b).

Under the foregoing credit facilities, the group assigned cash and cash equivalents of £871,578 as collateral to the banks. The banks hold covenants and guarantees, such as an undertaking by a group company to maintain an effective equity or working capital ratio in addition to the assignment or benefit of credit and marine insurance policies.

The group also renewed a credit facility of £2,167,805 as part of £22,621,298 under (i) with another bank to sell 100% (of accepted documents or drafts) or finance 80% of credit-insured debtors of up to 120 or 150 days, and to issue letters of credit or guarantee subject to collateral on deposit with the bank ranging from 50% to 100% thereof. Again, the group may also hedge foreign currency risks.

The group in this case assigned cash and cash equivalents of £65,244 as collateral to the bank. Furthermore, the bank holds other covenants and guarantees, in addition to the assignment or benefit of credit and marine insurance policies.

A loan of £276,529 on a building is available to the group. A group company assigned cash and cash equivalents of £287,590 in favour of a bank as collateral or security.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2004

26. Financial instruments (continued)

b. Foreign currencies

The group hedges its multi-currency operations and transactions by way of forward exchange contracts. At 31 December 2004, there was an unrealised loss of US\$ 293,606 (2003: US\$ 39,616) which is offset by an unrealised gain (2003: gain) for the same amount on the underlying financial instrument for terms ranging from January to March 2004 at the various rates as follows: -

		Purchase	31.12.04 Value US\$	Contract Value US\$	Unrealised loss US\$
Currency					
Euro	EUR	4,810,000	6,509,806	6,216,200	(293,606)

27. Other financial commitments

At 31 December 2004, the group was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2004:

	Land and building		Other	
	2004	2003	2004	2003
	£	£	£	£
Within 1 year	52,980	58,700	-	23,480
Within 2 to 5 years	514,464	183,398	63,576	-
	<u>567,444</u>	<u>242,098</u>	<u>63,576</u>	<u>23,480</u>

The company had no such financial commitments.

28. Parent company

The immediate and ultimate parent company is Copap Participations Limited, a company incorporated in the Isle of Man.

Copies of the group accounts for Copap Participations Limited are available to the public from 9 Myrtle Street, Douglas, Isle of Man IM1 1ED.

29. Control

The directors consider the ultimate controlling party to be Chiltern Trust Company (Jersey) Limited as the trustees of the Guaruja Settlement, a trust registered in Jersey.