

Company No: 3407140 (England and Wales)

Copap Holdings (UK) Limited
Group Financial Statements
For the Year Ended 31 December 2007

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Copap Holdings (UK) Limited

Company Information

Directors	G R J Davis P A Wallis
Secretary	Accomplish Secretaries Limited
Company number	3407140
Registered office	18 South Street Mayfair London W1K 1DG
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

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Directors' report

The directors submit their report and the group financial statements of Copap Holdings (UK) Limited for the year ended 31 December 2007

Principal activities

In summary, the group finances, markets and trades pulp and paper products worldwide, including agents or offices in Africa, the Americas (North and South), Asia, Australia and Europe

The group trades publication paper products in France through an associated undertaking ("VALPACO") Whilst the group maintains and manages the relationship with suppliers in the Americas, VALPACO markets same in France The added value of each party is beneficial mutually

The group also finances, markets and trades other pulp and paper products directly in France, and finances, markets and trades all kinds of pulp and paper products worldwide In such cases, it buys credit-insured debts or pulp and paper products for resale.

Results and dividends

The group realised a profit for the year of £194,561 (2006 £675,809) from a turnover of £243,004,766 (2006 £218,058,448), including the associate, gross profit margin of 4.6% (2006 5.6%), and commissions revenue of 1.1% (2006 0.6%) The directors do not recommend the payment of dividends during the year (2006 £nil)

Review of the business

Other than the impaired business and investment of one subsidiary undertaking ("LATITUDE"), the directors consider the results during the year and situation at end of year satisfactory The directors look forward to the future in light of the group's diversification or investments, such as the factoring or financing of credit-insured debtors, rationalization of its impaired business, and favourable market trends

Financial instruments

Whilst the group is exposed to financial risks, including changes in credit, interest rates, liquidity, and market prices, it manages same to limit the adverse effects on the financial results of the group (see note 25)

a. Credit risk

The group generally insures its debtors Concomitantly, its credit insurers establish and review same for the benefit of the group Any debt finance is subject to the approval of the board of directors In the event that an account is bad or doubtful, the group makes a provision for the uninsured risk

b. Interest rate risk

The company has a mix of assets and liabilities bearing variable and fixed rates of interest The company generally looks to mitigate its exposure to fluctuating interest rates by financing activity internally in the first instance and fixing interest rates where possible Where variable rates of interest are applied on liabilities, the company normally seeks to cap any increase

Directors' report (continued)

c. Liquidity and cash flow risk

The group generally finances or sells debtors off its balance sheet, and finances inventories with short-term debt, subject to the approval of the board of directors, to ensure it has available funds for operations and transactions. In the event of any additional debt finance is required, it is subject to the approval of the board of directors.

d. Market price risk

The group negotiates with customers and suppliers as approved by the board of directors to ensure the best results. It avoids any risk of fluctuating markets prices of paper and pulp products by not entering into any long term contracts with suppliers or customers, by agreeing prices in advance before committing to any purchases of its own and continually reviewing stock levels to ensure that levels are kept to a minimum.

Subsequent events

On 1 January and 12 March 2008, the group sold all of its investment in the associate undertaking for a cash consideration of €4,200,000 and loss of €611,915.

Directors

The following directors have held office since 1 January 2007

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

As at 31 December 2007 the average days outstanding for trade creditors is 66 (2006: 64). The group's current policy concerning payments to trade creditors is as follows:

- To set the terms of payment with suppliers when agreeing each transaction,
- To ensure that suppliers are made aware of same by including them in contracts, and
- To settle balances in accordance with the company's contractual and other obligations.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

For and on behalf of the board



P A Wallis - Director

Date: 23 October 2008

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 6 to 30 for the year ended 31 December 2007 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 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 any other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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 by including 100% of the turnover of the associate, less sales made to the group, along with that of the group, less sales made to the associate, on the face of the profit and loss account. This basis of reporting turnover differs from Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements" which provides for the group to report only its 30% (2006 30%) share of the turnover of the associate. The turnover reported over and above its share of the turnover of the associate is £98,123,180 (2006 £103,822,195).

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 consolidated financial statements

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the group and company's affairs at 31 December 2007 and of the group's profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements

Mazars LLP

Mazars LLP
Chartered Accountants
Registered Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

24-10-08

Copap Holdings (UK) Limited

Group profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover: group and associate	2	243,004,766	218,058,448
Adjustments to turnover			
Less turnover of associate		(175,134,290)	(161,550,935)
Add turnover of group to associate		<u>24,052,564</u>	<u>9,263,459</u>
Group turnover	1(d)	91,923,040	65,770,972
Cost of sales		<u>(87,732,030)</u>	<u>(62,080,437)</u>
Group gross profit		4,191,010	3,690,535
Commissions revenue		566,941	411,518
Operating expenses			
- non-exceptional		(4,317,524)	(3,057,883)
- exceptional	4	<u>(67,349)</u>	<u>(24,397)</u>
Group operating profit		373,078	1,019,773
Share of operating profit of associate		2,116,702	1,875,804
Amortisation of goodwill arising on purchase of shares in associate	13	<u>-</u>	<u>(118,675)</u>
Total operating profit: group and share of associate		2,489,780	2,776,902
Interest receivable	5	141,540	130,236
Interest payable	6	<u>(1,912,000)</u>	<u>(1,663,174)</u>
Profit on ordinary activities before taxation	3	719,320	1,243,964
Taxation on profit on ordinary activities			
- non exceptional	8	<u>(524,759)</u>	<u>(566,250)</u>
Profit on ordinary activities after taxation		194,561	677,714
Minority interest - equity		<u>-</u>	<u>(1,905)</u>
Retained profit to the year		<u>194,561</u>	<u>675,809</u>

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 2007**

	Notes	2007 £	2006 £
Profit for the year		194,561	675,809
Exchange differences on retranslation of net assets of subsidiary undertakings	23	216,866	(190,019)
		<hr/>	<hr/>
Total gains and losses recognised during the year		411,427	485,790
		<hr/>	<hr/>

Copap Holdings (UK) Limited

**Group balance sheet
as at 31 December 2007**

	Notes	2007 £	2006 £
Fixed assets			
Tangible	11	134,280	131,409
Investment in associated undertaking	13	3,458,180	2,355,864
Investment – other	14	39,006	39,006
		<u>3,631,466</u>	<u>2,526,279</u>
Current assets			
Stock	15	10,531,514	7,802,013
Debtors	16	5,427,117	3,692,225
Cash at bank and in hand		1,793,680	3,844,635
		<u>17,752,311</u>	<u>15,338,873</u>
Creditors: amounts falling due within one year	17	<u>(16,525,135)</u>	<u>(13,403,959)</u>
Net current assets		<u>1,227,176</u>	<u>1,934,914</u>
Total assets less current liabilities		4,858,642	4,461,193
Creditors: amounts falling due after more than one year	18	<u>(1,007,049)</u>	<u>(1,020,929)</u>
Net assets before minority interest		3,851,593	3,440,264
Minority interest			
Equity interest	19	-	-
Non-equity interest	20	-	-
		<u>3,851,593</u>	<u>3,440,264</u>
Capital and reserves			
Share capital	21	301,000	301,000
Profit and loss account	22	3,550,593	3,139,264
		<u>3,851,593</u>	<u>3,440,264</u>
Shareholders' funds - equity	23	<u>3,851,593</u>	<u>3,440,264</u>

Approved by the Board on 23 October 2008

Pamela Wallis

P A Wallis - Director

Copap Holdings (UK) Limited

**Company balance sheet
as at 31 December 2007**

	Notes	2007 £	2006 £
Fixed assets			
Investments in group undertakings	12	515,925	611,263
Investment in associated undertaking	13	775,152	775,152
Investment - other	14	39,006	39,006
		<hr/> 1,330,083	<hr/> 1,425,421
Current assets			
Debtors	16	68,028	-
Cash at bank and in hand		10,100	26,470
		<hr/> 78,128	<hr/> 26,470
Creditors amounts falling due within one year	17	(490,800)	(386,227)
		<hr/> (412,672)	<hr/> (359,757)
Net current liabilities			
		<hr/> (412,672)	<hr/> (359,757)
Total assets less current liabilities		<hr/> 917,411	<hr/> 1,065,664
Capital and reserves			
Called up share capital	21	301,000	301,000
Profit and loss account	22	616,411	764,664
		<hr/> 917,411	<hr/> 1,065,664
Shareholders' funds - equity	23	<hr/> 917,411	<hr/> 1,065,664

Approved by the Board on 23 October 2008

Pamela Wallis

P A Wallis - Director

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

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 2007. 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 the sale 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.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

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 tax 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 tax assets are recognised when it is more likely than not that they will be recovered.

Deferred taxation is measured on a non-discounted basis 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) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes.

As these forward foreign exchange contracts fail to qualify for hedge accounting, the instrument is marked to market and any resulting profit or loss recognised at that time.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies (continued)

(k) 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

(l) 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

(m) 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

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2007****3 Profit on ordinary activities before taxation**

	2007	2006
	£	£
The profit on ordinary activities before taxation is stated after charging/(crediting)		
Amortisation of goodwill	-	118,675
Depreciation	43,153	36,831
Operating lease rentals		
- plant and machinery	21,228	13,625
- other	139,331	148,471
Auditors' remuneration		
- audit fee	29,688	44,097
- fee for non-audit services	11,411	10,467
Exchange gain on foreign currency borrowings	294,562	(151,914)
	<u> </u>	<u> </u>

4 Exceptional item

	2007	2006
	£	£
Expenses following exclusion of minority shareholder	67,349	24,397
	<u> </u>	<u> </u>

The exceptional expense relates to the removal of a former director by one subsidiary undertaking following his conviction to a suspended prison term of 10 months and damages for having committed forgery and misused company property

5 Interest receivable and similar income

	2007	2006
	£	£
Bank interest	141,540	90,952
Share of associate's interest receivable	-	39,284
	<u>141,540</u>	<u>130,236</u>

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2007****6 Interest payable and similar charges**

	2007	2006
	£	£
Bank interest	1,079,463	1,075,733
Share of associate's interest payable	832,537	587,441
	<u>1,912,000</u>	<u>1,663,174</u>

7 Staff costs

	2007	2006
	£	£
Wages and salaries	1,569,029	991,914
Social security costs	222,250	185,586
	<u>1,791,279</u>	<u>1,177,501</u>

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

	2007	2006
	No.	No.
General management and sales	<u>24</u>	<u>25</u>

Directors' emoluments

None of the directors received any remuneration

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

8 Taxation on profit on ordinary activities

(a) Analysis of tax charge for the year	2007 £	2006 £
Current tax		
UK corporation tax on the profit for the year	-	-
Foreign tax		
Current tax on profit for the year	75,562	87,322
Share of associate's tax charge	448,403	454,700
	<hr/>	<hr/>
Total current tax	523,965	542,022
Deferred tax		
Origination and reversal of timing differences	794	24,228
	<hr/>	<hr/>
Tax on profit on ordinary activities	524,759	566,250
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting tax charge for the year

	2007 £	2006 £
Profit on ordinary activities before tax	719,320	1,243,964
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	215,796	373,189
Effects of		
Absence of taxation on company loss	20,099	-
Absence of taxation on losses of subsidiary undertakings	455,846	29,004
Difference of taxation on profit of subsidiary undertaking	(167,776)	139,829
	<hr/>	<hr/>
Current tax for the year	523,965	542,022
	<hr/> <hr/>	<hr/> <hr/>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

9 Profit of the company

The company retained a loss of £148,253 for the year (2006 £1,079,309)

10 Dividends

	2007 £	2006 £
Ordinary dividends		
Interim dividend paid (2006 £nil) per share	98	-

The directors recommended the payment of no dividends from reserves during the year

11 Tangible fixed assets Group

	Leasehold improvements £	Fixtures & fittings £	Office equipment £	Motor vehicles £	Total £
<u>Cost</u>					
At 1 January 2007	228,481	370,604	154,609	18,440	772,134
Foreign exchange (loss)/profit on retranslation	(448)	(5,038)	5,221	1,679	1,414
Additions	6,288	10,673	29,723	5,234	49,395
Disposals	-	-	(3,192)	(25,353)	(26,022)
At 31 December 2007	234,321	376,239	186,361	-	796,921
<u>Accumulated depreciation</u>					
At 1 January 2007	187,555	339,150	102,249	11,771	640,725
Foreign exchange (loss)/profit on retranslation	(2,436)	(4,611)	3,255	2,749	43,153
Charge for the year	10,334	11,278	18,791	-	43,153
Disposals	-	-	(2,924)	(15,592)	(18,516)
At 31 December 2007	195,453	345,817	121,371	-	662,641
<u>Net book value</u>					
At 31 December 2007	32,748	32,242	64,991	-	134,280
At 31 December 2006	40,926	31,454	52,360	6,669	131,409

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

12 Fixed asset investments – group undertakings

	Company	
	2007 £	2006 £
Shares in subsidiary undertakings	515,925	611,263
	<u>515,925</u>	<u>611,263</u>
	Shares in subsidiary undertakings	
	£	
<u>Cost</u>		
At 1 January 2007		1,326,516
Additions		-
Disposals		-
At 31 December 2007		<u>1,326,516</u>
<u>Provision for diminution in value</u>		
At 1 January 2007		715,253
Provision made in the year		95,338
At 31 December 2007		<u>810,591</u>
<u>Net book value</u>		
At 31 December 2007		<u>515,925</u>
At 31 December 2006		<u>611,263</u>

Additional information on the subsidiary undertakings

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
Cepap Espana S A	Spain	Ordinary	100%	Paper and pulp
Copap Inc	Canada	Ordinary	100%*	Paper and pulp
Copap Property Holdings Limited	UK	Ordinary	100%	Holding company
Copap Trading Inc	Canada	Ordinary	100%	Holding company
		Class B	100%	
		Class D preference		
Latitude Paper and Board S A S	France	Ordinary	100%	Paper and pulp

*Indicates indirect ownership

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

13 Fixed assets investments - associate undertaking

	2007	2006
	£	£
Cost		
At 1 January	<u>775,152</u>	<u>775,152</u>
Goodwill on purchase of shares		
At 1 January	-	127,161
Foreign exchange loss on retranslation	-	(8,486)
Amortisation charge for the year	<u>-</u>	<u>(118,675)</u>
	<u>-</u>	<u>-</u>
Group share of post acquisition reserves		
At 1 January	1,641,625	2,070,901
Currency exchange gain during the year	281,728	(55,933)
Dividends during the year	73	-
Share of retained profit/(losses) for the year	<u>838,881</u>	<u>(373,343)</u>
	<u>2,762,307</u>	<u>1,641,625</u>
Group share of net assets	<u>3,537,459</u>	<u>2,416,777</u>
Unrealised profit in group turnover to associate		
At 1 January	(60,913)	(76,001)
Foreign exchange gain on retranslation	676	5,809
Change during the year	<u>(19,042)</u>	<u>9,279</u>
	<u>(79,279)</u>	<u>(60,913)</u>
Investment in associate undertaking	<u>3,458,180</u>	<u>2,355,864</u>

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2007****13 Fixed asset investments – associated undertaking (continued)****Goodwill**

	£
<u>Cost</u>	
At 1 January 2007 and 31 December 2007	334,943
<u>Amortisation:</u>	
At 1 January 2007 and December 2007	334,943
	<hr/>
<u>Net book value</u>	
At 31 December 2007	-
	<hr/>
At 31 December 2006	-
	<hr/>

Additional information on the associated undertaking

Name	Country of incorporation	Class of shares held	Percentage of shares held	Nature of business
European Paper Trading S A (“VALPACO”)	France	Ordinary	30%	Paper and pulp

On 1 January and 12 March 2008, the group sold all of its investment in the associate undertaking for a cash consideration of €4,200,000 and loss of €611,915

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

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

	2007 £	2006 £
Turnover share	<u>52,540,287</u>	<u>48,465,281</u>
Profit on ordinary activities before taxation share	1,284,165	1,327,647
Taxation of profit on ordinary activities share	(448,403)	(454,700)
Profit on ordinary activities after taxation share	<u>835,762</u>	<u>872,947</u>
Fixed assets share	353,568	229,030
Current assets share	<u>27,043,590</u>	<u>21,001,376</u>
	27,397,158	21,230,406
Liabilities Due within one year share	<u>(23,859,699)</u>	<u>(18,813,629)</u>
Net assets share	<u>3,537,459</u>	<u>2,416,777</u>

14 Fixed asset investments - other

	Group and Company 2007 £	2006 £
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

The company and group account for these investments at their historical cost (contrary to as an associate undertaking despite a capital share of 20% or more) in the absence of a significant influence over their financial and operating policies

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

15	Stock	Group	
		2007	2006
		£	£
	Paper and pulp for resale	10,531,514	7,802,013
		<u> </u>	<u> </u>
16	Debtors	Group	
		2007	2006
	Amounts due within one year	£	£
	Trade debtors	20,004,271	16,570,073
	Less sale proceeds	(16,126,836)	(13,383,692)
		<u> </u>	<u> </u>
		3,877,435	3,186,381
	Amounts due by subsidiary undertakings	-	-
	Amounts due by fellow subsidiary undertakings	342,359	46,192
	Amounts due by the parent undertaking	27,209	-
	Amounts due from associated undertakings	803,383	-
	Corporation tax	88,077	33,551
	Deferred tax	18,610	19,678
	Other debtors	97,007	-
	Prepayments	173,037	406,423
		<u> </u>	<u> </u>
		5,427,117	3,692,225
		<u> </u>	<u> </u>

During the year, the group factored or sold certain debts under the terms of factoring arrangements for cash. Interest on the factored debts was calculated on the daily balance.

In the event of default by the debtor, the banks hold recourse against the credit-insurer as loss payee for 90% of the insurance, and the group for the residual 10%. The banks hold recourse against the group in the event of a commercial dispute.

The deferred tax asset relates to accelerated capital allowances.

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

17 Creditors amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	1,053,906	2,358,574	-	-
Trade creditors	14,743,370	10,111,852	17,342	41,424
Amounts due to associated undertakings	-	308,623	-	-
Amounts due to fellow subsidiary undertakings	224,418	182,564	104,511	-
Amounts due to subsidiary undertaking	-	-	-	14,795
Amounts due to parent undertaking	345,127	203,059	345,127	316,846
Corporation tax	38,913	82,803	-	-
Taxation and social security	76,750	155,567	-	-
Accruals and deferred income	42,651	917	10,658	-
Other creditors	-	-	13,162	13,162
	<u>16,525,135</u>	<u>13,403,959</u>	<u>490,800</u>	<u>386,227</u>

18 Creditors amounts falling due after more than one year

	Group	
	2007	2006
	£	£
Amount due to fellow subsidiary undertaking	<u>1,007,049</u>	<u>1,020,929</u>

The movement in the carrying value of the bank loan is due to the sale of the subsidiary undertaking (see notes 12 for further details). The loan carried a rate of interest of 3.5%, was due for repayment on 13 May 2008 and was secured against a cash deposit of £428,077 (see note 17). The amounts due to a fellow subsidiary undertaking bear interest at rates ranging between 6% and 10%, where the bulk of it is due for repayment on 1 January 2008.

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2007****19 Minority interest - Equity**

There is no longer any minority interest of significance following the sale of a subsidiary undertaking

20 Minority interest – Non equity

During the year, the company purchased 10,000 class B preference shares of Copap Trading Inc at their nominal value for a cash consideration of US \$58.95 each

21 Called up share capital

	2007	2006
	£	£
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>
	2007	2006
	£	£
Allotted, issued and fully paid		
301,000 ordinary shares of £1 each	301,000	301,000
	<u>301,000</u>	<u>301,000</u>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

22 Profit and loss reserve

	Group £	Company £
1 January 2007	3,139,264	764,664
Retained profit for the year	194,561	(148,253)
Dividends during the year	(98)	-
Exchange differences on retranslation of net assets of subsidiary undertakings	216,866	-
31 December 2007	<u>3,550,593</u>	<u>616,411</u>

23 Reconciliation of movement in shareholders' funds

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Profit for the year	194,561	675,809		1,079,309
Dividends	(98)	-	-	-
	<u>194,463</u>	<u>675,809</u>	<u>-</u>	<u>1,079,309</u>
Other recognised gains and losses in the year	216,866	(190,019)	-	-
Net addition to/(depletion in) shareholders' funds	411,329	485,790	(148,253)	1,079,309
Opening shareholders' funds	3,440,264	2,954,474	1,065,664	(13,645)
Closing shareholders' funds	<u>3,581,593</u>	<u>3,440,264</u>	<u>917,411</u>	<u>1,065,664</u>

Copap Holdings (UK) Limited

Notes to the financial statements for the year ended 31 December 2007

24 Related party transactions

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

	Sales	Purchases	Commissions revenue/ (expense)	Other revenue/ (expense)	Amounts owed by	Amounts owed to
	£	£	£	£	£	£
Year to 31 December 2007						
European Paper Trading SA ("VALPACO")	24,074,332	(118,473)	-	61,207	803,383	-
Advalorem Fomento Limitada	-	-	-	29,863	193,411	-
Barber S A R L	-	-	-	(100,000)	-	-
		(1,082,923)				
Copap International Limited	-	-	-	-	403	-
Copap Participations Limited	-	-	-	41,168	-	(345,127)
					342,359	
	(1,397,571)					

Year to 31 December 2006

European Paper Trading SA ("Valpaco")	9,263,459	2,034,589	45,846	-	-	308,623
Advalorem Fomento Limitada	-	-	-	-	46,192	-
Copap International Limited	-	-	-	3,256	-	-
Barber S A R L	-	-	-	(151,759)	-	182,564
Copap Participations Limited	-	-	-	13,022	-	203,059
					46,192	385,623

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

COAP Promociones Inversiones S.L is a company in which Copap Holdings (UK) Limited has a significant holding

Advalorem Fomento Ltda, Barber S A R L , C E P A P s a r l and Copap International Limited are fellow subsidiary undertakings

Copap Participations Limited is the parent undertaking

**Notes to the financial statements
for the year ended 31 December 2007**

25 Financial instruments

a. Credit facilities

During the year, the group maintained or renewed credit facilities of approximately £30,933,535 (2006 £28,357,836) subject to a number of covenants with several banks in the Americas and Europe

- i) £20,800,604 was available to sell at will 100% of its credit-insured debtors for 100% of the invoice value with terms of up to 180 days At 31 December 2007, the group had sold £16,126,836 thereof, and applied or netted the proceeds against debtors In the event of non payment, the banks hold recourse against the group for 10% and the credit-insurer (as loss payee) for 90% The banks hold recourse against the group for 100% in the event of a commercial dispute, and
- ii) £10,132,931 in aggregate was available to cover any overdraft, to issue letters of credit or guarantee, to finance stock, and to hedge foreign currency risks (see note b) At 31 December 2007, the group financed stock of £1,031,540 whilst it had issued a letter of guarantee for £162,731 The foregoing was subject to cash on deposit of £138,711 with a bank

At 31 December 2007, the group also assigned the benefit of credit and marine, and warehousing insurance policies to the banks The group respects covenants and guarantees, such as an effective equity and working capital Whilst a subsidiary undertaking has subordinated a loan to the banks, the company has guaranteed the obligations or performance of the group up to £5,875,629

b. Currencies

The group generally hedges its multi-currency operations and transactions by way of forward exchange contracts At 31 December 2007, there was an unrealised loss of £161,632 (2006 loss of £110,988) which was offset by an unrealised gain for the same amount on the underlying financial instrument for terms ranging up to December 2008 as follows

Currency	Purchase (Sale) £	31.12.07 Value £	Contract Value £	Unrealised loss £
€	(259,560)	(378,958)	374,026	(4,932)
€	504,000	735,840	(736,243)	(403)
€	(1,764,000)	(2,575,440)	2,459,520	(115,920)
BRL \$	(2,874,892)	(1,615,689)	1,575,312	(40,377)
				<u>(161,632)</u>

**Notes to the financial statements
for the year ended 31 December 2007**

25 Financial instruments (continued)

c. Debtors

	Group £	Company £
Amounts due within one year		
Current	4,150,741	68,028
Overdue by up to 30 days	479,166	-
Overdue by more than 30 days	797,210	-
	<u>5,427,117</u>	<u>68,028</u>

The group generally insures its debtors. Concomitantly, its credit insurers establish and review same for the benefit of the group. In the event that an account is bad or doubtful, the group makes a provision for the uninsured risk.

d. Fair values

	Group £	Company £
Fixed financial assets		
Investment in associate undertaking	3,461,444	3,461,444
Investments in group undertakings	-	515,925
Investments in other undertakings	39,006	39,006
Fair value	<u>3,500,450</u>	<u>4,016,375</u>
Book value	<u>3,497,186</u>	<u>1,330,083</u>
Other financial assets and liabilities		
Debtors Amounts due within one year	5,427,117	68,028
Cash at bank and in hand	1,793,680	10,100
Creditors Amounts falling due within one year	(16,525,135)	(490,800)
Fair value	<u>(9,304,338)</u>	<u>412,672</u>
Book value	<u>(9,304,338)</u>	<u>412,672</u>

The difference in fair value over book value of fixed assets investments is attributable to a group undertaking. Cash at bank and on deposit of £138,711 was pledged as collateral to a letter of guarantee for £162,731.

Copap Holdings (UK) Limited

**Notes to the financial statements
for the year ended 31 December 2007**

25 Financial instruments (continued)

e. Interest rates

Group	Fixed rate £	Floating rate £	Zero rate £
Debtors (trade debtors)			
US \$	-	-	-
Debtors (amounts due by a director of a subsidiary undertaking)			
CDN \$	-	-	97,001
US \$	-	-	-
	-	-	91,001
Debtors (amount due by other undertaking)			
€	-	-	-
Debtors (other)			
€	-	-	67,222
	-	-	67,222
Cash at bank and in hand			
CDN \$	-	7,266	-
€	-	(3,498,376)	-
£	-	49,241	-
US \$	-	5,235,549	-
		1,793,680	-
Creditors (bank loans)			
€		(1,053,906)	-
Creditors (accruals and deferred revenue)			
€	-	-	9,825
US \$	-	-	32,826
	-	-	42,651

**Notes to the financial statements
for the year ended 31 December 2007**

25 Financial instruments (continued)

e. Interest rates (continued)

As interest rates rise by 1%, the group may incur an additional expense of US \$700,000 in the absence of compensating factors, which the group would seek through credit terms or resale prices

Company	Fixed rate £	Floating rate £	Zero rate £
Debtors (amounts due by fellow subsidiary undertakings)			
£	-	-	403
Debtors (other)			
US \$	-	-	67,625
Cash at bank and in hand			
€	-	6,461	-
£	-	3,124	-
US \$	-	515	-
		10,100	-
Creditors (amounts due to a shareholder)			
£	-	-	(345,127)
Creditors (amounts due by fellow subsidiary undertakings)			
£	-	-	(104,511)
Creditors (other)			
£	-	-	(41,162)

**Notes to the financial statements
for the year ended 31 December 2007**

25 Financial instruments (continued)

f. Other price risks

Pulp and paper stocks remain a commodity, subject to price variations. As the cost rises by 10%, the group may incur an additional expense of US \$2,000,000 in the absence of compensating factors, which the group would seek through purchase terms or resale prices.

26 Other financial commitments

At 31 December 2007, the group was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2010:

	Land and building		Other	
	2007	2006	2007	2006
	£	£	£	£
Within 1 year	-	-	-	-
Within 2 to 5 years	306,648	406,280	88,218	33,691
	<u>306,648</u>	<u>406,280</u>	<u>88,218</u>	<u>33,691</u>

The company had no commitments of such kind.

27 Parent company

Copap Participations Limited, a company incorporated in the Isle of Man, is the parent undertaking.

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

28 Control

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