

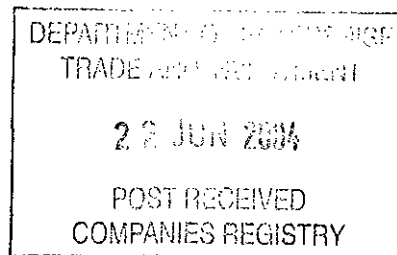
Company Registration No. NI 22500



SPANBOARD PRODUCTS LIMITED

Annual Report and Financial Statements

Year ended 31 December 2002



SPANBOARD PRODUCTS LIMITED

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SPANBOARD PRODUCTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C. Bianchi de Aguiar
A. Hackney

SECRETARY

A. Knox

REGISTERED OFFICE

7/11 Linenhall Street
Belfast
BT2 8AH

BANKERS

Banco Totta & Acores
68 Cannon Street
London
EC4N 6AQ

Ulster Bank Limited
30 The Diamond
Coleraine
BT52 1DP

SOLICITORS

Crawford & Lockhart
7/11 Linenhall Street
Belfast
BT2 8AH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

SPANBOARD PRODUCTS LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continues to be the manufacture and sale of chipboard and related wood products.

The directors plan to increase commercial activity and product lines in the Irish market to ensure the continued development of the company.

RESULTS AND DIVIDENDS

The company's loss for the year after taxation was £20,294 (2001 - £238,744). The directors do not recommend the payment of a dividend (2001 - £nil).

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1. All directors served throughout the year, with the exception of N M Teixeira de Azevedo who was appointed on 16 May 2002 and resigned on 3 October 2003, A Esteves and S Gonzalez Andion who both resigned on 16 May 2002 and A. Hackney who was appointed on 3 October 2003.

The directors have no interests in the share capital of the company and no other interests required to be disclosed under The Companies (Northern Ireland) Order 1986.

AUDITORS

On 31 July 2002 Arthur Andersen resigned as auditors of the company and the directors appointed Deloitte & Touche to fill the casual vacancy.

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 29(5) of the Companies (Northern Ireland) Order 1990. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

A resolution re-appointing Deloitte & Touche LLP as auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A. Knox
Secretary

8 June 2004

SPANBOARD PRODUCTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with The Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPANBOARD PRODUCTS LIMITED

We have audited the financial statements of Spanboard Products Limited for the year ended 31 December 2002 which comprise the profit and loss account, note of historical cost profits and losses, balance sheet, statement of total recognised gains and losses, statement of accounting policies and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 243 of The Companies (Northern Ireland) Order 1986. 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 auditors' 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 (Northern Ireland) Order 1986. We also report 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 is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

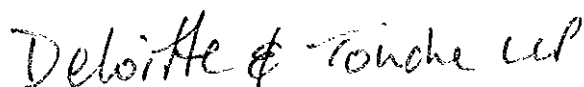
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with The Companies (Northern Ireland) Order 1986.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

8 June 2004

SPANBOARD PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER	1	14,150,368	12,845,714
Cost of sales		(11,184,390)	(10,121,048)
GROSS PROFIT		2,965,978	2,724,666
Other operating expenses (net)	2	(2,966,130)	(3,031,224)
OPERATING LOSS		(152)	(306,558)
Finance charges (net)	3	(27,399)	(42,293)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(27,551)	(348,851)
Tax on loss on ordinary activities	7	7,257	110,107
RETAINED LOSS FOR THE YEAR	16	(20,294)	(238,744)

All activity has arisen from continuing operations.

There are no recognised gains or losses in either year, other than the loss for the year and accordingly no statement of total recognised gains and losses has been prepared.

The accompanying notes are an integral part of this profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES For the year ended 31 December 2002

	2002 £	2001 £
REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(27,551)	(348,851)
Difference between historical cost depreciation charge and the actual depreciation charge for the year	179,512	184,859
HISTORICAL COST PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	151,961	(163,992)
HISTORICAL COST PROFIT (LOSS) FOR THE YEAR RETAINED AFTER TAXATION	159,218	(53,885)

SPANBOARD PRODUCTS LIMITED

BALANCE SHEET 31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Intangible assets	8	32,000	36,000
Tangible assets	9	2,817,235	3,525,471
		<u>2,849,235</u>	<u>3,561,471</u>
CURRENT ASSETS			
Stocks	10	1,977,835	1,526,790
Debtors	11	9,248,746	9,163,346
Cash at bank and in hand		351,981	116,020
		<u>11,578,562</u>	<u>10,806,156</u>
CREDITORS: Amounts falling due within one year	12	<u>(4,127,717)</u>	<u>(3,937,959)</u>
NET CURRENT ASSETS		<u>7,450,845</u>	<u>6,868,197</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,300,080</u>	<u>10,429,668</u>
CREDITORS: Amounts falling due after more than one year	13	<u>(161,823)</u>	<u>(263,860)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(278,900)</u>	<u>(286,157)</u>
NET ASSETS		<u>9,859,357</u>	<u>9,879,651</u>
CAPITAL AND RESERVES			
Called-up share capital	15	9,000,000	9,000,000
Revaluation reserve	16	556,717	736,229
Profit and loss account	16	302,640	143,422
EQUITY SHAREHOLDERS' FUNDS	17	<u>9,859,357</u>	<u>9,879,651</u>

The financial statements on pages 5 to 15 were approved by the board of directors on 8 June 2004 and signed on its behalf by:

A. Hackney
Director



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

SPANBOARD PRODUCTS LIMITED

STATEMENT OF ACCOUNTING POLICIES Year ended 31 December 2002

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year, with the exception of the adoption of FRS 19 'Deferred tax'.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT.

Intangible assets - patents and licences

Patents and licences are included at cost and depreciated in equal instalments over the life of the agreement. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. The company has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold property	-	2% - 5%
Plant and machinery	-	6.66% - 15%
Fixtures and fittings	-	7.5% - 20%
Motor vehicles	-	25%

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessment periods different from those in which they are recognised in the financial statements.

A net deferred asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

SPANBOARD PRODUCTS LIMITED

STATEMENT OF ACCOUNTING POLICIES (continued) **Year ended 31 December 2002**

Leasing

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over the shorter of their estimated useful lives or the lease term.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Capital grants

Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Cash flow statement

The company has taken advantage from preparing a cash flow statement on the grounds that the company is a wholly owned subsidiary undertaking of Sonae SGPS SA which prepares a consolidated cash flow statement.

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

1. TURNOVER

The turnover of the company in the year arose wholly in the United Kingdom and relates to the company's principal activity of the manufacturing and sale of chipboard and related wood products.

2. OTHER OPERATING EXPENSES (NET)

	2002 £	2001 £
Distribution costs	1,216,879	1,191,500
Administration expenses	1,909,035	1,929,021
Other operating income	(159,784)	(89,297)
	<u>2,966,130</u>	<u>3,031,224</u>

3. FINANCE CHARGES (NET)

	2002 £	2001 £
Interest receivable and similar income	<u>4,290</u>	<u>5,084</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	<u>31,689</u>	<u>47,377</u>
Finance charges (net)		
Interest payable and similar charges	31,689	47,377
Less interest receivable and similar income	(4,290)	(5,084)
	<u>27,399</u>	<u>42,293</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging/(crediting):

	2002 £	2001 £
Depreciation		
- owned assets	806,476	1,009,302
- assets held under finance leases and hire purchase contracts	16,022	24,655
Patents and licences amortised	4,000	4,000
Government grants	(52,122)	(66,155)
Auditors' remuneration for audit services	<u>9,880</u>	<u>24,000</u>

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

5. STAFF COSTS

The average monthly number of employees (including executive directors) during the year was:

	2002 Number	2001 Number
Administration and marketing	8	5
Production	99	99
	<u>107</u>	<u>104</u>

Their aggregate remuneration comprised:

	2002 £	2001 £
Wages and salaries	1,876,360	1,794,772
Social security costs	163,652	157,269
Other pension costs (see note 19)	36,948	34,105
	<u>2,076,960</u>	<u>1,986,146</u>

6. DIRECTORS' REMUNERATION

The directors of the company are remunerated by other group companies. No directors were members of the company's pension scheme in either year.

7. TAX ON LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The tax credit comprises:

	2002 £	2001 £
UK corporation tax	-	104,976
Deferred tax	(7,257)	(215,083)
	<u>(7,257)</u>	<u>(110,107)</u>

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

7. TAX ON LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 £	2001 £
Loss on ordinary activities before tax	(27,551)	(348,851)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	(8,265)	(104,655)
Effects of:		
Expenses not deductible for tax purposes	1,236	(321)
Depreciation in excess of capital allowances	172,868	-
Group relief	(150,081)	-
Non taxable income	(15,637)	-
Movement in short term timing differences	(121)	-
Tax charge for the year	-	(104,976)

During the year, the company implemented FRS 19 'Deferred tax'. No restatement of the prior years' deferred tax position has been required due to the brought forward and current year tax losses of the group.

8. INTANGIBLE FIXED ASSETS

	Patents and licences £
Cost	
As at 1 January 2002 and 31 December 2002	60,000
Amortisation	
As at 1 January 2002	24,000
Charge for year	4,000
As at 31 December 2002	28,000
Net book value	
As at 1 January 2002	36,000
As at 31 December 2002	32,000

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Freehold land and property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Assets under the course of construc- tion £	Total £'000
Cost						
As at 1 January 2002	2,500,750	15,606,090	427,591	187,140	-	18,721,571
Additions	-	-	-	-	114,262	114,262
Disposals	-	-	(4,721)	(46,047)	-	(50,768)
Transfers	-	109,569	-	-	(109,569)	-
As at 31 December 2002	<u>2,500,750</u>	<u>15,715,659</u>	<u>422,870</u>	<u>141,093</u>	<u>4,693</u>	<u>18,785,065</u>
Depreciation						
As at 1 January 2002	1,055,136	13,580,212	392,337	168,415	-	15,196,100
Charge for the year	76,333	708,546	20,467	17,152	-	822,498
Eliminated for disposals	-	-	(4,720)	(46,048)	-	(50,768)
As at 31 December 2002	<u>1,131,469</u>	<u>14,288,758</u>	<u>408,084</u>	<u>139,519</u>	<u>-</u>	<u>15,967,830</u>
Net book value						
As at 31 December 2001	<u>1,445,614</u>	<u>2,025,878</u>	<u>35,254</u>	<u>18,725</u>	<u>-</u>	<u>3,525,471</u>
As at 31 December 2002	<u>1,369,281</u>	<u>1,426,901</u>	<u>14,786</u>	<u>1,574</u>	<u>4,693</u>	<u>2,817,235</u>

Freehold land amounting to £420,000 (2001 - £420,000) has not been depreciated. The cost of fixed assets include assets previously revalued at £13,357,373 (2001 - £13,357,373) with a historical cost of £8,893,095 (2001 - £8,893,095). The difference between the actual and the historical cost depreciation in the year is £179,512 (2001 - £184,859).

The net book value of assets which are held under finance leases is £1,610 (2001 - £17,631).

10. STOCKS

	2002 £	2001 £
Raw materials	501,787	450,758
Goods purchased for resale	291,114	1,906
Consumable stores	390,395	437,965
Work in progress	254,557	316,799
Finished goods	539,982	319,362
	<u>1,977,835</u>	<u>1,526,790</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

11. DEBTORS

Amounts falling due within one year:

	2002 £	2001 £
Trade debtors	79,295	20,685
Amounts owed by group undertakings	8,923,323	8,892,837
VAT	224,299	238,750
Prepayments	21,829	11,074
	<u>9,248,746</u>	<u>9,163,346</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Obligations under finance leases	-	21,628
Bank overdrafts	610,518	829,888
Other loans	-	30,000
Trade creditors	2,082,136	1,401,057
Amounts owed to group undertakings	491,768	852,086
Other taxes and social security	110,326	42,670
Other creditors	28,400	20,263
Accruals and deferred income	754,654	740,367
Government grants	49,915	-
	<u>4,127,717</u>	<u>3,937,959</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Government grants	<u>161,823</u>	<u>263,860</u>

The movement on government grants is as follows:

	2002 £	2001 £
Balance at 1 January 2001	263,860	330,015
Credited to profit and loss account	(52,122)	(66,155)
Balance at 31 December 2002	<u>211,738</u>	<u>263,860</u>

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 January 2002	286,157
Released to profit and loss account	(7,257)
Balance at 31 December 2002	<u>278,900</u>

Deferred taxation provided for is as follows:

	2002 £	2001 £
Accelerated capital allowances	<u>278,900</u>	<u>286,157</u>

There are no amounts of unprovided deferred taxation (2001 - £nil).

15. CALLED-UP SHARE CAPITAL

	2002 £	2001 £
<i>Authorised</i>		
10,000,000 ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, called-up and fully paid</i>		
9,000,000 ordinary shares of £1 each	<u>9,000,000</u>	<u>9,000,000</u>

16. RESERVES

	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2002	736,229	143,422	879,651
Transfer of realised profit	(179,512)	179,512	-
Retained loss for the year	-	(20,294)	(20,294)
At 31 December 2002	<u>556,717</u>	<u>302,640</u>	<u>859,357</u>

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2002 £	2001 £
Loss for the financial year	(20,294)	(238,744)
Net reduction in shareholder's funds	(20,294)	(238,744)
Opening equity shareholder's funds	<u>9,879,651</u>	<u>10,118,395</u>
Closing equity shareholder's funds	<u>9,859,357</u>	<u>9,879,651</u>

SPANBOARD PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

18. FINANCIAL COMMITMENTS

Capital commitments

Capital commitments are as follows:

	2002 £	2001 £
Contracted for but not provided for	<u>39,700</u>	<u>32,284</u>

There are no commitments under non-cancellable operating leases.

19. PENSION ARRANGEMENTS

The company operates a defined contribution pension scheme on behalf of those directors and employees who have applied for membership. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge for the year was £36,948 (2001 - £34,105).

20. ULTIMATE CONTROLLING PARTY

The directors regard Sonae SGPS SA, a company incorporated in Portugal, as the ultimate parent company and the ultimate controlling party.

Sonae SGPS SA is the parent company of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from Lugar do Espido, Via Norte, 4471 Maia, Portugal.

As a subsidiary undertaking of Sonae SGPS SA, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Sonae SGPS SA.