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**Report of the Directors and
Financial Statements
for the Year Ended 31 December 1999
for
Spanboard Products Limited**

COMPANIES REGISTRY

REGISTERED
24 JUL 2000
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Spanboard Products Limited
Company Information
for the Year Ended 31 December 1999

DIRECTORS: M Pombo Liria
A Esteves
L C E Robus
S Gonzalez Andion

SECRETARY: A J M Knox

REGISTERED OFFICE: 7/11 Linenhall Street
BELFAST
BT2 8AH

REGISTERED NUMBER: NI 22500

AUDITORS: Roffe Swayne
Registered Auditors and
Chartered Accountants
St James's House
East Street
Farnham, Surrey
GU9 7UJ

Spanboard Products Limited

Report of the Directors for the Year Ended 31 December 1999

The directors present their report with the financial statements of the company for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of manufacturing and sale of chipboard and related wood products.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 1999.

FUTURE DEVELOPMENTS

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

DIRECTORS

The directors during the year under review were:

L C E Robus

M Pombo Liria

-resigned 17.2.99, reappointed 8.12.99

S Gonzalez Andion

A Esteves

The directors holding office at 31 December 1999 did not hold any beneficial interest in the issued share capital of the company, or other group companies at 1 January 1999 or 31 December 1999.

YEAR 2000

There has been no adverse effect of the year 2000 on the company's operations and none is foreseen in the future.

PAYMENTS TO SUPPLIERS

The company does not follow any code or standard on payment practice, but it is the company's policy to settle terms of payment with suppliers when agreeing the terms of transactions, and to abide by these agreed terms.

FUTURE DEVELOPMENTS

The company's intention is to increase sales in the Irish market and to consolidate its position in the United Kingdom market.

Spanboard Products Limited

Report of the Directors for the Year Ended 31 December 1999

STATEMENT OF 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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to

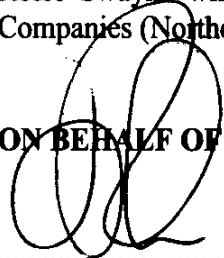
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare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

The directors are responsible for keeping proper accounting records 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.

AUDITORS

On 15 November 1999 the auditors changed their name from Waite McGrory to Roffe Swayne. Roffe Swayne will be proposed for re-appointment in accordance with section 329(1) of the Companies (Northern Ireland) Order 1986.

ON BEHALF OF THE BOARD:


.....
L C E Robus - DIRECTOR

Dated: 25. 2. 2000

Spanboard Products Limited

**Report of the Auditors to the Shareholders of
Spanboard Products Limited**

We have audited the financial statements on pages five to fifteen which have been prepared under the historical cost convention and the accounting policies set out on page eight.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



R. Swayne
Registered Auditors and
Chartered Accountants
St James's House
East Street
Farnham, Surrey
GU9 7UJ

Dated: 15 March 2000

Spanboard Products Limited

**Profit and Loss Account
for the Year Ended 31 December 1999**

		1999		1998	
	Notes	£	£	£	£
TURNOVER	2		15,619,885		16,757,904
Cost of sales			12,130,141		12,936,875
GROSS PROFIT			3,489,744		3,821,029
Distribution costs		1,327,213		1,346,383	
Administrative expenses		2,211,138		2,131,662	
			3,538,351		3,478,045
			(48,607)		342,984
Other operating income			185,563		184,353
OPERATING PROFIT	4		136,956		527,337
Interest receivable and similar income			14,184		52,137
			151,140		579,474
Interest payable and similar charges	5		23,428		11,194
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			127,712		568,280
Tax on profit on ordinary activities	6		53,006		223,260
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			74,706		345,020
Retained profit/(deficit) brought forward			385,658		(43,659)
			460,364		301,361
Transfer to distributable reserves			114,242		84,297
RETAINED PROFIT CARRIED FORWARD			£574,606		£385,658

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

Spanboard Products Limited

**Profit and Loss Account
for the Year Ended 31 December 1999**

**Note of Historical Cost Profits and Losses
for the Year Ended 31 December 1999**

	<u>1999</u>	<u>1998</u>
	£	£
REPORTED PROFIT		
ON ORDINARY ACTIVITIES BEFORE TAXATION	127,712	568,280
Difference Between Historical Cost Depreciation And Actual Depreciation	<u>114,242</u>	<u>84,297</u>
HISTORICAL COST PROFIT		
ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>£241,954</u>	<u>£652,577</u>
Historical cost profit for the year retained after taxation	<u>£188,948</u>	<u>£429,317</u>

The notes form part of these financial statements

Spanboard Products Limited

**Balance Sheet
31 December 1999**

		1999		1998	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	7		44,000		48,000
Tangible assets	8		5,669,036		7,108,609
			<u>5,713,036</u>		<u>7,156,609</u>
CURRENT ASSETS:					
Stocks	9	1,845,460		1,704,891	
Debtors	10	7,089,941		4,607,164	
Cash at bank and in hand		634,460		4,077,885	
		<u>9,569,861</u>		<u>10,389,940</u>	
CREDITORS: Amounts falling due within one year	11	3,637,537		5,604,448	
NET CURRENT ASSETS:			<u>5,932,324</u>		<u>4,785,492</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			11,645,360		11,942,101
CREDITORS: Amounts falling due after more than one year	12		(35,130)		(39,833)
PROVISIONS FOR LIABILITIES AND CHARGES:	15		(520,000)		(803,874)
ACCRUALS AND DEFERRED INCOME:	16		(406,760)		(489,630)
			<u>£10,683,470</u>		<u>£10,608,764</u>
CAPITAL AND RESERVES:					
Called up share capital	17		9,000,000		9,000,000
Revaluation reserve	18		1,108,864		1,223,106
Profit and loss account			574,606		385,658
Shareholders' funds	21		<u>£10,683,470</u>		<u>£10,608,764</u>

ON BEHALF OF THE BOARD:

.....
L C E Robus - DIRECTOR

Approved by the Board on 25.2.00

The notes form part of these financial statements

Spanboard Products Limited

Notes to the Financial Statements for the Year Ended 31 December 1999

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Patents and licences

Patents and licences are written off equally over the life time of the agreement.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

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

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

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 their estimated useful lives or the lease term, whichever is the shorter.

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.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Capital grants

Grants receivable are treated as a deferred credit and amortised at the same rate as the assets to which they relate.

Financial Reporting Standards Numbers 1 and 8

Exemption has been taken from preparing a cash flow statement on the grounds that the company is a wholly owned subsidiary undertaking which prepares a consolidated cashflow statement. Disclosure of related party transactions is not required since the transactions are with group companies whose results will be included within the published consolidated financial statements of the ultimate parent company.

Spanboard Products Limited

Notes to the Financial Statements for the Year Ended 31 December 1999

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	1999 £	1998 £
UK sales	10,656,925	12,764,741
Sales to other EU countries	4,962,960	3,993,163
	<u>15,619,885</u>	<u>16,757,904</u>

3. STAFF COSTS

	1999 £	1998 £
Wages and salaries	1,898,541	2,059,107
Social security costs	183,037	197,669
Other pension costs	37,010	64,145
	<u>2,118,588</u>	<u>2,320,951</u>

The average monthly number of employees during the year was as follows:-

Administration and marketing	18	24
Production	93	93

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1999 £	1998 £
Depreciation - owned assets	1,251,737	1,470,092
Depreciation - assets on finance leases	258,110	269,092
(Profit)/Loss on disposal of fixed assets	(10,762)	8,553
Patents and licences written off	4,000	4,000
Auditors' remuneration	22,990	21,530
Company contributions to money purchase schemes	1,375	20,941
	<u>1,547,470</u>	<u>1,794,118</u>
Directors' emoluments	8,333	76,038
Compensation to directors for loss of office	-	30,000
	<u>8,333</u>	<u>106,038</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank Charges & Interest	23,428	11,194

Spanboard Products Limited

Notes to the Financial Statements for the Year Ended 31 December 1999

6. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	1999	1998
	£	£
UK corporation tax	336,880	496,818
Deferred taxation	(283,874)	(273,558)
	<u>53,006</u>	<u>223,260</u>

UK corporation tax has been charged at 30.25% (1998 - 31%).

7. INTANGIBLE FIXED ASSETS

	Patents and licences
	£
COST:	
At 1 January 1999	
and 31 December 1999	<u>60,000</u>
AMORTISATION:	
At 1 January 1999	12,000
Charge for year	<u>4,000</u>
At 31 December 1999	<u>16,000</u>
NET BOOK VALUE:	
At 31 December 1999	<u>44,000</u>
At 31 December 1998	<u>48,000</u>

Spanboard Products Limited

Notes to the Financial Statements for the Year Ended 31 December 1999

8. TANGIBLE FIXED ASSETS

	Freehold property	Plant and machinery	Fixtures and Fittings	Motor vehicles	Totals
	£	£	£	£	£
COST:					
At 1 January 1999	2,567,192	15,472,886	492,177	190,457	18,722,712
Additions	-	25,236	39,133	73,906	138,275
Disposals	(66,442)	(28,024)	(109,959)	(49,395)	(253,820)
At 31 December 1999	2,500,750	15,470,098	421,351	214,968	18,607,167
DEPRECIATION:					
At 1 January 1999	761,694	10,324,327	408,044	120,038	11,614,103
Charge for year	121,194	1,298,972	35,169	54,512	1,509,847
Eliminated on disposals	(5,426)	(27,190)	(103,808)	(49,395)	(185,819)
At 31 December 1999	877,462	11,596,109	339,405	125,155	12,938,131
NET BOOK VALUE:					
At 31 December 1999	1,623,288	3,873,989	81,946	89,813	5,669,036
At 31 December 1998	1,805,498	5,148,557	84,135	70,419	7,108,609

Included in freehold property is land at a cost of £420,000 which is a non-depreciable asset. Fixed assets include assets previously revalued at £13,357,373 with a historical cost of £8,893,095. The difference between the actual and the historical cost depreciation in the year is £187,776.

Fixed assets, included in the above, which are held under finance leases are as follows:

	Plant and machinery	Fixtures and Fittings	Motor vehicles	Totals
	£	£	£	£
COST:				
At 1 January 1999	1,636,615	4,721	73,875	1,715,211
Additions	-	-	25,210	25,210
At 31 December 1999	1,636,615	4,721	99,085	1,740,421
DEPRECIATION:				
At 1 January 1999	1,284,310	4,012	15,591	1,303,913
Charge for year	234,206	708	23,196	258,110
At 31 December 1999	1,518,516	4,720	38,787	1,562,023
NET BOOK VALUE:				
At 31 December 1999	118,099	1	60,298	178,398
At 31 December 1998	352,305	709	58,284	411,298

Spanboard Products Limited

**Notes to the Financial Statements
for the Year Ended 31 December 1999**

9. STOCKS

	1999	1998
	£	£
Raw Materials	445,424	376,126
Goods purchased for resale	327,018	310,622
Consumable Stores	423,870	369,449
Finished goods	649,148	648,694
	<u>1,845,460</u>	<u>1,704,891</u>

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1999	1998
	£	£
Trade debtors	2,409,368	1,975,109
Other debtors	21,206	8,958
Prepayments	20,853	45,333
Value added tax	965,010	-
Amounts due from group undertakings	<u>3,673,504</u>	<u>2,577,764</u>
	<u>7,089,941</u>	<u>4,607,164</u>

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1999	1998
	£	£
Bank loans and overdrafts (see note 13)	393,077	513,496
Finance leases (see note 14)	25,445	47,414
Trade creditors	1,737,680	1,668,395
Other Creditors	4,592	16,003
Amounts due to group undertakings	553,990	2,106,008
Social security & other taxes	48,902	331,072
Taxation	261,376	496,633
Accruals and deferred income	612,475	425,427
	<u>3,637,537</u>	<u>5,604,448</u>

**12. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	1999	1998
	£	£
Finance leases (see note 14)	<u>35,130</u>	<u>39,833</u>

Spanboard Products Limited

**Notes to the Financial Statements
for the Year Ended 31 December 1999**

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	1999 £	1998 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>393,077</u>	<u>513,496</u>

14. OBLIGATIONS UNDER LEASING AGREEMENTS

	1999 £	1998 £
	Finance leases	
Gross obligations repayable:		
Within one year	25,445	47,477
Between one and five years	<u>35,130</u>	<u>39,833</u>
	<u>60,575</u>	<u>87,310</u>
Finance charges repayable:		
Within one year	-	63
Net obligations repayable:		
Within one year	25,445	47,414
Between one and five years	<u>35,130</u>	<u>39,833</u>
	<u>60,575</u>	<u>87,247</u>

The following payments are committed to be paid within one year:

	1999 £	1998 £
	Operating leases	
Expiring:		
Between one and five years	<u>3,169</u>	<u>16,300</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £	1998 £
Deferred taxation	<u>520,000</u>	<u>803,874</u>

Spanboard Products Limited

**Notes to the Financial Statements
for the Year Ended 31 December 1999**

15. PROVISIONS FOR LIABILITIES AND CHARGES - continued

	Deferred taxation £
Balance at 1 January 1999	803,874
Transfer to profit and loss	(283,874)
	<hr/>
Balance at 31 December 1999	<u>520,000</u>

This represents the maximum additional potential liability that could arise as a result of the reversal of capital allowances.

16. ACCRUALS AND DEFERRED INCOME

	1999 £	1998 £
Deferred government grants Brought forward	489,630	572,996
Released to profit and loss account	(82,870)	(83,366)
	<hr/>	<hr/>
	<u>406,760</u>	<u>489,630</u>

17. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	1999 £	1998 £
10,000,000	Ordinary	£1	<u>10,000,000</u>	<u>10,000,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	1999 £	1998 £
9,000,000	Ordinary	£1	<u>9,000,000</u>	<u>9,000,000</u>

18. REVALUATION RESERVE

	1999 £	1998 £
Brought forward	1,223,106	1,307,403
Released to profit and loss account	(114,242)	(84,297)
	<hr/>	<hr/>
	<u>1,108,864</u>	<u>1,223,106</u>

Spanboard Products Limited

Notes to the Financial Statements for the Year Ended 31 December 1999

19. ULTIMATE PARENT COMPANY

The company is a subsidiary of Tafisa (UK) Limited, incorporated in England and Wales. The directors consider that the ultimate holding company is Sonae SGPS SA incorporated in Portugal.

Copies of the consolidated financial statements can be obtained from Lugar do Espido, Via Norte, 4471 Maia, Portugal.

20. PENSION COMMITMENTS

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 anticipated annual commitment under this scheme is for contributions of £37,010, (1998 £64,144).

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	74,706	345,020
Transfer to deferred tax provision		
NET ADDITION TO SHAREHOLDERS' FUNDS	74,706	345,020
Opening shareholders' funds	10,608,764	10,263,744
CLOSING SHAREHOLDERS' FUNDS	10,683,470	10,608,764
Equity interests	10,683,470	10,608,764