COFINOGA FUNDING TWO LP

GENERAL PARTNER'S REPORT AND NON-STATUTORY FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2014

Registered number: LP009155

COFINOGA FUNDING TWO LP

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PERIOD ENDED 30 June 2014

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THE GENERAL PARTNER'S REPORT

PERIOD ENDED 30 June 2014

The General Partner presents the report and non-statutory unaudited financial statements for the period ended 30 June 2014. The limited partnership's registered number is LP009155. These non-statutory unaudited financial statements have been prepared for the purpose of complying with the Luxembourg transparency requirements applicable to an issuer of debt securities. As such these are not the Partnership's statutory financial statements.

The General Partner is not required to file statutory financial statements in accordance with Statutory Instruments 2008/1911 Limited Liability Partnerships (Application of Companies Act 2006) Regulations as its General Partner files consolidated financial statements which include this Limited Partnership. Under the Law of 11 January 2008 on transparency requirements for issuers of securities, published in Mémorial A – No. 5 of 15 January 2008, the partnership is required to prepare an half yearly financial report, and to file it with the Commission de Surveillance du Secteur Financier (CSSF).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Cofinoga Funding Two LP is a Limited Partnership formed under the Limited Partnership Act 1907, in accordance with a Limited Partnership Agreement dated 14 January 2004. The principal activity of the Partnership is to act as a special purpose vehicle to raise and provide finance and financial support to the LaSer Cofinoga SA group.

On 15 January 2004 and 14 May 2004, Cofinoga Funding Two LP issued €50,000,000 and €30,000,000 EUR-TEC1O-CNO index linked unsecured perpetual preferred securities to The Bank of New York. They were listed on the Luxembourg Stock Exchange on these dates. The unsecured perpetual preferred securities entitle holders to receive non-cumulative preferential distributions payable quarterly in arrears, settled through intercompany arrangements, commencing on 15 April 2004 for both securities. Further details are provided in note 9.

No new financial arrangements were made in the period. The General Partner is of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business and hence this has not been presented.

The results for the period are set out in the Profit and Loss Account on page 4.

RESULTS AND DISTRIBUTIONS

The result for the period amounted to €nil (2013: €nil). No distributions to partners have been made (2013: €nil).

FINANCIAL RISK MANAGEMENT

There are risks that arise as a result of movements in financial markets, however, the activities of the Partnership are fully hedged and accordingly the General Partner considers that the Partnership is not exposed to any financial risks that have not been appropriately managed.

Interest rate risk
The Partnership has both interest bearing assets and interest bearing liabilities. The Partnership holds equal and opposite amounts of loan notes (note 7) and unsecured perpetual preferred securities (note 9) on the similar terms to manage net exposure to interest rate risks.

Liquidity risk
The Partnership has funding provided by The Bank of New York in the form of preference shares. The Partners are not aware of any clause within the contract which would require early repayment of the preference shares. Should the amount be recalled, the Partnership is not exposed as loans due from group undertakings will also become due for payment and, having considered the financial position of these entities, management are satisfied that the exposure to liquidity risk is negligible.

Credit risk
The Partnership's assets all represent amounts due from related entities and, having considered the financial position of these entities, management are satisfied that the exposure to credit risk is acceptable.

FUTURE DEVELOPMENTS

The Partnership will continue to act as a special purpose vehicle to raise and provide finance and financial support to the LaSer Cofinoga SA group.

MEMBERS

The members of the Partnership during the period and up to the date of signing this report were as follows:

General Partner: Sygma Funding Two Limited; and
Limited Partner: The Bank of New York Depository (Nominees) Limited.

GENERAL PARTNER'S RESPONSIBILITIES STATEMENT

The partners are responsible for preparing the General Partner's Report and the non-statutory unaudited financial statements in accordance the basis of preparation and accounting policies in note 1. Under the Law of 11 January 2008 on transparency requirements for issuers of securities, published in Mémorial A – No. 5 of 15 January 2008, the partnership is required to prepare a half yearly financial report, and to file it with the Commission de Surveillance du Secteur Financier (CSSF). Under that law the General Partner has prepared the Partnership non-statutory unaudited financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The General Partner must not approve the non-statutory unaudited financial statements unless the General Partner is satisfied have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the non-statutory unaudited financial statements. In preparing these non-statutory unaudited financial statements, the partners have:

- selected suitable accounting policies and then apply them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated the basis of preparation and accounting polices applied;
- prepared the non-statutory unaudited financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The partners are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBILITY STATEMENT

I confirm that, to the best of my knowledge:

- the non-statutory unaudited financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the issuer; and
- the General Partner's report gives a fair review of the development and performance of the business, the financial position of the issuer, together with a description of the risks and uncertainties that it faces.

Approved by the Board of Directors of Sygma Funding Two Limited, the General Partner, on 30 July 2014 and signed on its behalf by:

P A R Reffay
On behalf of the General Partner

30 July 2014

Registered number: LP009155

COFINOGA FUNDING TWO LP

PROFIT AND LOSS ACCOUNT

PERIOD ENDED 30 June 2014

	Note	6 month period to 30 June 2014 €000	Year to 31 December 2013 €000
TURNOVER		–	–
Other operating income	2	12	23
OPERATING PROFIT	3	12	23
Interest receivable and similar income	5	1,447	2,822
Interest payable and similar charges	6	(1,459)	(2,845)
RESULT ON ORDINARY ACTIVITIES BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		–	–
Members' remuneration charged as an expense		–	–
RESULT FOR THE FINANCIAL PERIOD AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	10	–	–

All results derive from continuing operations.

There is no material difference between the result on ordinary activities before taxation and the result for the periods stated above and their historical cost equivalents.

The Partnership has no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains or losses has been presented.

The notes on pages 7 to 13 form part of these non-statutory financial statements.

COFINOGA FUNDING TWO LP

BALANCE SHEET

AS AT 30 June 2014

	Note	As at 30 June 2014 €000	As at 31 December 2013 €000
CURRENT ASSETS			
Debtors due within one period	7	**83,878**	83,934
Debtors due after one period	7	**-**	-
		83,878	83,934
CREDITORS: Amounts falling due within one period	8	**(565)**	(645)
NET CURRENT ASSETS		**83,313**	83,289
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,313**	83,289
CREDITORS: Amounts falling due after more than one period	9	**(79,163)**	(79,139)
NET ASSETS		**4,150**	4,150
REPRESENTED BY:			
Members' capital	10	**4,150**	4,150
TOTAL MEMBERS' INTEREST	10	**4,150**	4,150

The non-statutory unaudited financial statements were approved by the General Partner, Sygma Funding Two Limited, and authorised for issue on 30 July 2014 and signed on their behalf by:

P A R Reffay
On behalf of the General Partner

30 July 2014

The notes on pages 7 to 13 form part of these non-statutory financial statements.

CONFINOGA FUNDING TWO LP

CASH FLOW STATEMENT

PERIOD ENDED 30 June 2014

	Note	6 month period to 30 June 2014 €000	Year to 31 December 2013 €000
NET CASH FLOW FROM OPERATING ACTIVITIES	11	–	–
RETURN ON INVESTMENTS AND SERVICING OF FINANCE	11	–	–
CASH FLOW BEFORE FINANCING		–	–
FINANCING	11	–	–
MOVEMENT IN CASH		–	–

The notes on pages 7 to 13 form part of these non-statutory financial statements.

1. ACCOUNTING POLICIES

(a) Significant accounting policies

Basis of accounting

The General Partner is not required to file statutory financial statements in accordance with Statutory Instruments 2008/1911 Limited Liability Partnerships (Application of Companies Act 2006) Regulations as its General Partner files consolidated financial statements which include this Limited Partnership. Under the Law of 11 January 2008 on transparency requirements for issuers of securities, published in Mémorial A – No. 5 of 15 January 2008, the partnership is required to prepare an half yearly financial report, and to file it with the Commission de Surveillance du Secteur Financier (CSSF).

The non-statutory unaudited financial statements have been prepared on a going concern basis following investigation by the partners into the sources of funding in place for the business in the foreseeable future. The directors have elected to prepare the non-statutory unaudited financial statements in accordance with the United Kingdom Generally Accepted Accounting Practices (UK GAAP) and have been prepared under the historical cost basis. The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period.

Financial instruments

Debt finance
All borrowings are stated at fair value of consideration received after deduction of issue costs. The issue costs and interest payable on the perpetual unsecured preferred securities are charged to the profit and loss account as finance costs, on a constant yield basis over 30 years.

The Limited Partnership has taken the option in FRS 13 "Derivatives and other financial instruments" not to disclose its short-term debtors and creditors within the context of paragraph 6 of the standard.

(b) Financial risk management

Objectives, policies and strategies
The financial risks faced by the Partnership include interest rate, credit and liquidity risk. The members review and agree policies for managing each of these risks.

The Partnership's financial instruments comprise fixed and floating rate balances owed by group undertakings and unsecured perpetual preferred securities, the main purpose of which is to raise and provide finance for the group's operations, whilst managing interest rate risk.

The Partnership holds equal and opposite amounts of loan notes (note 7) and unsecured perpetual preferred securities (note 9) on the similar terms to manage net exposure to interest rate risks. The Partnership seeks to minimise the risk of uncertain funding in its operations by borrowing over an indefinite period and by having committed facilities available. These objectives, policies and strategies are consistent with those in the previous period. The balance sheet positions at 30 June 2014 and 31 December 2013 are representative of the positions throughout the period.

The Partnership's assets represent amounts due from related entities and, having considered the financial position of these entities, management are satisfied that the exposure to credit risk is acceptable.

2. OTHER OPERATING INCOME

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Other operating income	**12**	23

Operating income relates to management charges to the LaSer Cofinoga SA group in France.

3. OPERATING PROFIT

Operating profit is stated after crediting:

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Partners' remuneration	**–**	–

4. PARTNERS AND EMPLOYEES

No partners received any remuneration in respect of their services to the Partnership, either from the Partnership or from other group undertakings, during the period ended 30 June 2014 (2013: €nil).

The Partnership had no employees during the period (2013: none) and accordingly no employee costs are included in these financial statements.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Interest receivable from group undertakings	**1,447**	2,822

6. INTEREST PAYABLE AND SIMILAR CHARGES

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Unwinding of issue costs and release of premia	**21**	43
Interest payable	**1,438**	2,802
	1,459	2,845

7. DEBTORS

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Amounts owed by group undertakings	**83,878**	83,934

An analysis of the maturity of the amounts owed by group undertakings classified as financial assets is given below:

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Due in less than one period, or on demand	**83,878**	83,934
Due in one to two periods	**-**	-
	83,878	83,934

On 15 January 2004, LaSer Cofinoga SA (ultimate parent) issued €50,000,000 and €1,901,000 of loan notes to Cofinoga Funding Two LP. The amounts due are redeemable at par on 15 January 2024, and earn interest at a rate linked to EUR-TEC1O-CNO and 6.23% respectively. Interest is due on a quarterly basis commencing 15 April 2004.

On 14 May 2004, LaSer Cofinoga SA (ultimate parent) issued a further €30,000,000 and €964,000 of loan notes to Cofinoga Funding Two LP. The amounts due are redeemable at par on 15 January 2024, and earn interest at a rate linked to EUR-TEC1O-CNO and 6.23% respectively. Interest is due on a quarterly basis commencing 15 April 2004.

The loan notes are callable by the General Partner on any interest payment date falling after 15 January 2014.

Other amounts owed by group undertakings are unsecured, earns interest at 6.23% (2013: 6.23%) and are repayable on 15 January 2024.

All amounts owed by group undertakings are denominated in Euros.

The members have assessed the nature of the financial assets, the quality of the securities and the financial standing of the counterparty, and concluded that the rate at which interest is earned reflects a fair risk adjusted market rate. Accordingly, the members consider that the fair value of the financial assets is not materially different to the book value disclosed above.

During the period a total of €1,447,000 (2013: €2,822,000) of interest was earned.

Financial instruments and risks are managed as part of the overall group funding. The amounts owed by group undertakings carry interest at floating and fixed rates and are managed in accordance with the group funding requirements.

8. CREDITORS: Amounts falling due within one period

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Accruals and deferred income	**565**	645

9. CREDITORS: Amounts falling due after more than one period

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Shares classified as financial liabilities	**79,163**	79,139

An analysis of the maturity of the shares classified as financial liabilities is given below:

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Due after more than 5 periods	**79,163**	79,139

On 15 January 2004 and 14 May 2004, Cofinoga Funding Two LP issued €50,000,000 and €30,000,000 EUR-TEC1O-CNO index linked unsecured perpetual preferred securities to The Bank of New York. The unsecured preferred securities were listed on the Luxembourg Stock Exchange on these dates and have no maturity date. The unsecured perpetual preferred securities entitle holders to receive non-cumulative preferential distributions payable quarterly in arrears, settled through intercompany arrangements, commencing 15 April 2004.

The issue of the unsecured perpetual preferred securities on 15 January 2004 and 14 May 2004 incurred issue costs of €1,375,000 and €600,000 respectively. In addition, the securities issued on 14 May 2004 were at a premium of €690,000. The costs and premium are being recognised in the profit and loss account over 30 years, being the expected period they remain in issue.

The unsecured perpetual preferred securities are not redeemable at the option of the holder at any time. After 15 January 2014, the Partnership may elect to redeem any of the unsecured perpetual preferred securities for cash.

All unsecured perpetual preferred securities are denominated in Euros.

The members have assessed the nature and quality of the unsecured perpetual preferred securities and concluded that the rate at which dividends accrue reflects a fair risk adjusted market rate. Accordingly, the members consider that the fair value of the unsecured perpetual preferred securities is not materially different to the book value disclosed above.

Financial instruments and risks are managed as part of the overall group funding. The amounts owed by group undertakings are long term in nature and carry interest at floating and fixed rates and are managed in accordance with the group funding requirements. No amounts are due by instalment.

10. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTEREST

	6 month period to 30 June 2014 €000	Year to 31 December 2013 €000
Result for the financial period	–	–
Opening members' interest	**4,150**	4,150
Closing members' interest	**4,150**	4,150

11. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	6 month period to 30 June 2014 €000	Year to 31 December 2013 €000
Operating profit	**12**	23
Movement in creditors	**(12)**	(23)
Net cash flow from operating activities	–	–

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	6 month period to 30 June 2014 €000	Year to 31 December 2013 €000
Interest received	–	–
Interest paid	–	–
Net cash flow from returns in investments and servicing of finance	–	–

The interest payable on the perpetual preferred securities is settled by other group undertakings in lieu of interest receivable.

FINANCING

	6 month period to 30 June 2014 €000	Year to 31 December 2013 €000
Movement in preferred securities	–	–
Net cash flow from financing	–	–

11. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES *(continued)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	6 month period to 30 June 2014	Year to 31 December 2013
	€000	€000
Increase in cash in the period	**–**	–
Non-cash movement to preferred securities	**(24)**	(35)
Movement in net debt in the period	**(24)**	(35)
Net debt at 1 January 2013	**(79,139)**	(79,104)
Net debt at 30 June 2014	**(79,163)**	(79,139)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2014	**Cash flows**	**Non-cash changes**	**At 30 Jun 2014**
	€000	**€000**	**€000**	**€000**
Debt:				
Amounts falling due after 1 year	**(79,139)**	**–**	**(24)**	**(79,163)**
Net debt	**(79,139)**	**–**	**(24)**	**(79,163)**

The non-cash changes reflect the amortisation of debt issue costs, accrual of redemption premium on the perpetual preferred securities and not movements in respect of amounts settled by other group undertakings.

12. RELATED PARTY TRANSACTIONS

The Partnership has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose related party transactions with other related parties that are 100% members of the LaSer Cofinoga SA group of companies.

13. CONTROLLING PARTIES

Sygma Funding Two Limited is the General Partner of Cofinoga Funding Two LP, and its Limited Partner is The Bank of New York Depository (Nominees) Limited.

The General Partner contributed €4,150,005 of capital to the Partnership which represents a 5% holding. However, the terms and conditions of the Partnership Agreement is such that Sygma Funding Two Limited, as General Partner, has full and exclusive authority and responsibility for and charge of the management and control of the business.

The largest undertaking of which the Partnership is a member, and for which group financial statements are prepared, is LaSer Cofinoga SA group. Financial statements for this company are prepared and are available to the public from 18 Rue de Londres, 75009 Paris, France.

The smallest undertaking of which the Partnership is a member, and for which group financial statements are prepared, is Sygma Funding Two Limited. Group financial statements for this company are prepared and are available to the public from Chadwick House, Blenheim Court, Solihull, B91 2AA, UK.

The ultimate parent and controlling parties as at 30 June 2014 were BNP Paribas Personal Finance and Galeries Lafayette Group SA, which each owned 50% of the LaSer group, and are incorporated in France. Copies of the annual reports are available from the registered office of these companies.