

TOUAX - 2004

Your operational leasing solution

Corporate governance

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD AND THE INTERNAL AUDITING PROCEDURES ESTABLISHED BY THE COMPANY.

TOUAX SA – 2004 FINANCIAL YEAR

Pursuant to articles L. 225 – 37 and L. 125 – 68 of the Commercial Code, resulting from article 117 of the Financial Security Act, the present report describes the preparation and organization of the work of the Board and the internal audit procedures established by TOUAX SA.

The other companies of the Group do not fall within the scope of this report. They are nevertheless required to apply the procedures defined by the Group.

1. Corporate governance

The company is managed by the board of directors, co-chairmen, an executive committee and operational managements.

1.1. Joint chairmanship

On 1 January 1998, a joint chairmanship system was implemented between Raphaël WALEWSKI and Fabrice WALEWSKI.

In legal terms, the office of Chairman of the board of directors alternates annually by decision of the board of directors. In 1999, 2001, 2003 and 2005, the post was held by Fabrice WALEWSKI. In 1998, 2000, 2002 and 2004 it was held by Raphaël WALEWSKI.

The post of Chief Executive Officer, as provided for in the articles of association, was held by Fabrice WALEWSKI in 1998, 2000 and 2002, and by Raphaël WALEWSKI in 1999, 2001 and 2003.

Following the implementation of the New Economic Regulations (NRE) Act, the Chairman of the board of directors conducts the general management of the company and delegates his powers. In the 2005 financial year, Fabrice Walewski is the chairman and chief executive officer and Raphaël Walewski is the deputy chief executive officer. During 2004, Raphaël Walewski acted as chairman and chief executive officer and Fabrice Walewski as deputy chief executive officer.

1.2. The board of directors

1.2.1. Composition

The Board of Directors comprised 8 members on the date of the general meeting of shareholders of 28 June 2004.

At the end of the general meeting of 28 June 2004, a new member, Jérôme Bethbèze joined the board.

As at the date of the meeting of the board of directors held to approve the financial statements for the 2004 financial year, the board had nine members.

With the exception of Raphaël and Fabrice Walewski, the members of the board of directors do not form part of the workforce of the Group.

1.2.2. Operation

Six meetings of the Board of Directors were held during the 2004 financial year, during which the board exercised its functions in full. The attendance rate of the board of directors was 79%.

The Bouton Report on corporate governance recommends the establishment of internal regulations and a process for assessing the performance of the board. The company considers that these recommendations do not apply to majority owned and controlled family businesses. There are no internal regulations. There is no formalized assessment procedure within the board of directors.

The regulations applicable to securities transactions by insiders are enforceable against the directors of the company.

1.2.3. Remuneration of the board

The remuneration of the members of the Board of Directors amounted to €70,000 in respect of the 2004 financial year, in accordance with the attendance rate specified by the ordinary general meeting of 28 June 2004. In the 2003 financial year, the corresponding amount was €69,516.

The ordinary general meeting of 28 June 2005 will propose that the amount of remuneration remains at €70,000 for the 2005 financial year.

The attendance fee was allocated 50% on a fixed basis and 50% on the basis of the actual presence at board meetings. The two co-chairmen were paid double directors' fees.

1.2.4. Incumbent directors

The board has two independent directors as defined by the Bouton Report, Mr Thomas Haythe and Mr Jérôme Bethbèze.

➤ Raphaël WALEWSKI

Date of appointment:

- Director, 1994
- Chief Executive Officer, 1999, 2001, 2003 and 2004
- Chairman, 1998, 2000, 2002 and 2004

Age: 38 years

Director of the following Group companies:

EUROBULK TRANSPORTMAATSCHAPPIJ BV, GOLD CONTAINER Corporation, GOLD CONTAINER GmbH, MARSTEN/THG MODULAR LEASING Corporation WORKSPACE PLUS D/B/A, INTERFEEDER-DUCOTRA BV, SIKO CONTAINERHANDEL GmbH, SIKO POLSKA Sp.z.o.o, TOUAX BV, TOUAX ESPAÑA SA, TOUAX CONTAINER LEASE RECEIVABLES Corporation, TOUAX Corporation, TOUAX EQUIPMENT LEASING Corporation, TOUAX FINANCE Inc., TOUAX LPG SA, TOUAX NV, TOUAX ROM SA.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Raphaël WALEWSKI holds 406,985 shares in TOUAX SA.

➤ Fabrice WALEWSKI

Date of appointment:

- Director, 1994
- Chief Executive Officer, 1998, 2000, 2002 and 2005
- Chairman, 1999, 2001, 2003 and 2005

Age: 36 years

Director of the following Group companies: ALMAFIN RAIL INVESTMENT Ltd, GOLD CONTAINER Corporation, MARSTEN/THG MODULAR LEASING Corporation WORKSPACE PLUS D/B/A, SIKO CONTAINERHANDEL GmbH, SIKO POLSKA Sp.z.o.o, TOUAX BV, TOUAX ESPAÑA SA, TOUAX CONTAINER LEASE RECEIVABLES Corporation, TOUAX Corporation, TOUAX EQUIPMENT LEASING Corporation, TOUAX FINANCE Inc., TOUAX LPG SA, TOUAX RAIL Ltd, TOUAX ROM SA, TOUAX SAAF SA.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Fabrice WALEWSKI holds 410,526 shares in TOUAX SA.

➤ **Alexandre WALEWSKI**

Date of appointment:

- Director, 1977
- Chairman & Chief Executive Officer from July 1977 to December 1997

Age: 71 years

Director of the following Group companies: CFCL TOUAX Llp, EUROBULK TRANSPORTMAATSCHAPPIJ BV, GOLD CONTAINER Corporation, MARSTEN/THG MODULAR LEASING Corporation WORKSPACE PLUS D/B/A, INTERFEEDER-DUCOTRA BV, SIKO CONTAINERHANDEL GmbH, SIKO POLSKA Sp.z.o.o, TOUAX BV, TOUAX ESPAÑA SA, TOUAX CONTAINER LEASE RECEIVABLES Corporation, TOUAX Corporation, TOUAX EQUIPMENT LEASING Corporation, TOUAX FINANCE Inc., TOUAX LPG SA, TOUAX NV, TOUAX ROM SA, TOUAX SAAF SA.

Chairman of the following Group companies: CFCL TOUAX Llp, EUROBULK TRANSPORTMAATSCHAPPIJ BV, GOLD CONTAINER Corporation, MARSTEN/THG MODULAR LEASING Corporation WORKSPACE PLUS D/B/A, INTERFEEDER-DUCOTRA BV, SIKO CONTAINERHANDEL GmbH, TOUAX BV, TOUAX ESPAÑA SA, TOUAX CONTAINER LEASE RECEIVABLES Corporation, TOUAX Corporation, TOUAX EQUIPMENT LEASING Corporation, TOUAX FINANCE Inc., TOUAX LPG SA, TOUAX NV, TOUAX ROM SA, TOUAX SAAF SA.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Alexandre WALEWSKI holds 415,485 shares in TOUAX SA.

➤ **Serge BEAUCAMPS**

Date of appointment: director in 1986

Age: 81 years

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Serge BEAUCAMPS holds 2,684 shares in TOUAX SA.

➤ **Jean-Louis LECLERCQ**

Date of appointment: director in 1986

Age: 73 years

Other posts held: SARL Navidor: Chief Executive Officer; SCI OUSTAL QUERCYNOIS: Manager; CNAFM (family benefits fund): Director.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Jean-Louis LECLERCQ holds 120 shares in TOUAX SA.

➤ **Philippe REILLE**

Date of appointment: Director, 1986

Age: 66 years

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Philippe REILLE holds 300 shares in TOUAX SA.

➤ **ALMAFIN (100 % subsidiary of the Belgian group KBC bank) represented by Hugo VANDERPOOTEN**

Date of appointment: Director, 2000

Age: 49 years

Hugo VANDERPOOTEN is a director of the following Group companies: ALMAFIN RAIL INVESTMENT Ltd, TOUAX RAIL Ltd. He is chairman of the board of directors of the following companies: ALMA REINSURANCE SA and IMMOBILIERE DES OURS SAS.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

ALMAFIN holds 175,999 shares in TOUAX SA.

➤ **Thomas M. HAYTHE**

Date of appointment: director, 2001

Age: 65 years

Other posts held: Commonwealth Center Assoc. Llp – Member of Executive Committee, Nottoway Properties Inc – Secretary, Diebold Finance Company Inc – Vice President & Assistant Secretary Diebold Finance Company – Vice President & Assistant Secretary, Orley Investments Inc – Director, Vice President, Secretary and Treasurer, Tulip Rock Investments Inc – Vice President, Bugina (United States) Inc

– Director, President and Secretary, Bemarin Investments N.V. – President & Director, Novamatrix Medical Systems Inc – Director, General Counsel and Assistant Secretary, Guest Supply Inc – General Counsel, Westerbeke Corporation – Director, General Counsel, Ramsay Youth Services Inc – Director, General Counsel and Assistant Secretary, Nureddin Corporation SA – Director, President & Secretary.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Thomas M. HAYTHE holds 120 shares in TOUAX SA.

➤ **Jérôme BETHBEZE**

Date of appointment: director, 2004

Age: 43 years

Other posts held: Chairman of the Board of Quilvest Gestion Privée.

His term of office expires in 2004. His term of office will be renewed for two years at the next ordinary general meeting on 28 June 2005.

Jérôme Bethbèze holds 100 shares in TOUAX SA.

1.3. The executive committee

1.3.1. Composition

The Executive Committee was formed in June 1992.

This Executive Committee is currently composed of four members.

- Raphaël WALEWSKI Co-Chairman (entry date June 1994)
- Fabrice WALEWSKI Co-Chairman (entry date June 1994)
- Stephen PONAK Financial Director (entry date January 1998)
- Thierry SCHMIDT de la BRELIE Administration and Accounting Director (entry date March 2005)

1.3.2. Operation

The committee meets on a regular basis, generally once a month, to supervise the management of the company and its subsidiaries.

Its main duties are to:

- develop commercial and financial strategies

- monitor and control the Group's activities
- make investment and divestment decisions

Fourteen meetings were held in 2004. All the committee members were present on each occasion.

Certain committee members meet at least twice a month to discuss financial issues of a technical nature. In addition, the Executive Committee requires the attendance of Group directors from time to time to discuss particular issues.

1.3.3. Remuneration

The gross remuneration paid to the three members of the Executive Committee totaled €446,000 in 2004.

Stock options and equity warrants of the executive committee

Number of stock options granted to the executive committee	3,900
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Number of equity warrants granted to the executive committee	24,501
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1.4. Remuneration Committee

A remuneration committee, made up of two members of the board of directors in 2004 (Alexandre WALEWSKI and Philippe REILLE), meets at least once a year to determine the remuneration of the chief executive officer and deputy chief executive officer. The recommendations of the remuneration committee are notified to the board of directors. This committee was formed in November 1997. The two members were appointed when the committee was formed.

Gross remuneration of the company officers in 2004	€588,000
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No assets operated by the company belong to the directors or their families.

2. Internal audit

2.1. Definition and summary of the context

The internal audit is defined by the French Institute of Auditors and Internal Control (IFACI) as a process conducted by the directors and the personnel of an organization, at whatever level, in order to provide them at all times with reasonable assurance that:

- the operations are completed, secure and optimized, thereby enabling the organization to achieve its basic objectives and its objectives in terms of performance, profitability and asset protection,
- the financial operations are reliable,
- laws, regulations and directives are respected.

2.2. Objectives of the company with regard to the internal audit

The company's objectives with regard to the internal audit are:

- to ensure that management functions and operations and the conduct of the personnel are within the guidance framework defined for the company's activities by the governing bodies of the company, the applicable laws and regulations and the internal values, standards and rules of the company.
- to ensure that the accounting, financial and management information provided for the governing bodies of the company accurately reflects the activity and situation of the company.

The procedures imply compliance with management policies, the protection of assets, the prevention and detection of fraud and errors, the accuracy and completeness of accounting entries and the provision of reliable accounting and financial information within the specified periods.

However, the company's internal audit system does not provide certainty that the specified objectives will be achieved, because of the limits inherent in any procedure.

2.3. Summary of the risks borne by the company

The risks are described precisely in the management report of the board of directors.

2.3.1. Financial risks

The risks are market risks (interest and exchange rates), liquidity risk and equity risk. The management of financial risk forms an integral part of the management of the company. To provide improved risk monitoring and optimize internal controls, the management has separated the administrative and financial management into two parts: financial management and administrative and accounting management.

The financial management, including the associated central cash management of the Group and administration of the management programs, manages the financial risk.

All financial matters are monitored or reviewed daily by the financial management, which provides the necessary resources in order to limit the financial risks. The objective of the administrative and accounting management is to produce reliable accounting and financial information, to communicate such information, monitor other risks, in particular counterparty risk, establish administrative, accounting and financial procedures and monitor the legal and fiscal affairs of the Group.

2.3.2. Legal risks

Legal risks are monitored by the administrative and accounting management and by the operational directors.

The risks are provisioned as soon as an expense becomes likely in accordance with article L 123-20 article 3 of the Commercial Code.

2.3.3. Industrial and environmental risks

These risks relate particularly to economic, political, geopolitical, technological, climatic and environmental risks.

They depend mainly on the various activities of the company. Regular reports are sent to the management to ensure that these risks are monitored.

2.4. Summary of the internal audit

2.4.1. General organization of the internal audit

The internal audit relies on formalized procedures, the information system and its architecture and the skills and training of the personnel.

The primary cycles relate to revenues and trade debtors, expenses and trade creditors, tangible assets, cash management and financing. The secondary cycles relate to the pay/personnel function and inventories.

2.4.2. Role of the internal audit department

The task of the internal audit department is to chart the various risks, establish and control the flow of information by means of the various reports and establish and monitor administrative and accounting procedures in liaison with the various accounts departments.

The internal audit assists the Executive Committee with the control of risks, the verification of methods and procedures and the control of the reliability of the

information provided by the various subsidiaries, branches and divisions of the group.

2.4.3. General description of the procedures

➤ Revenues and trade debtors

The main objectives are to verify the accuracy of the revenues, the valuation of accounts receivable and the completeness of the receipts and to monitor the counterparty risk.

To fulfill these objectives, the management has put in place the following organization:

- Operations department: distinct from the commercial and marketing departments, this is essentially responsible for processing and monitoring the fulfillment of customer orders,
- Customer credit department: attached to the administrative and accounting department, this is responsible for giving its opinion before the order is processed. The bad and doubtful debt function is attached to this department. It issues invoices on the basis of information entered in the computer system by the Operations department. The generation of accounting entries for invoices is automated and integrated.

The essential principles of the revenues/trade debtors cycle are:

- lease contracts systematically entered in the computer system,
- management and invoicing system integrated with the accounting system,
- separation of tasks between the credit department, the operating departments and the treasury department,
- regular inspection of the amount of customer credit DSO – days sales outstanding) by the general management.

➤ Expenses and trade creditors

The main objectives are to ensure that all expenses are recorded and to verify the valuation of the trade creditors and the accuracy of the payments.

The organization put in place is as follows:

- Operations department: initiates the order, issues “purchase requests” within limits strictly defined by the management. It accepts delivery of the order once it has been approved and ensures that delivery takes place correctly.
- Operations management: approves the requests, which are then converted into purchase orders. It negotiates the prices, selects the suppliers and oversees the conditions of sale.
- Operational management of the business: responsible for systematic inspection and approval of invoices.

- Accounts department: records invoices on the basis of purchase orders and prepares payments, which are approved by the general management.

The basic principles of the expenses/trade creditors cycle are based on:

- approval of the order,
- comparison of the purchase order and the delivery notes, work acceptance certificates, consignment notes and invoices,
- systematic inspection of invoices by the operational management of the business,
- centralization of payments by the general management.

➤ **Tangible assets**

The major objective is to protect the company's assets.

The company carries out a general physical inventory twice a year in liaison with the operating departments and the administrative and accounting departments. Differences are analyzed, justified and presented to the general management.

➤ **Treasury department**

The objectives intersect those of the other cycles. They are mainly achieved by a strict separation of tasks and the involvement of the general management.

The predominant aspects of the internal audit of the treasury/finance cycle are:

- centralized management of cash flows through monthly monitoring of flows,
- monitoring of authorizations and delegations of signing powers and other bank commitments,
- measurement and regular forecasting of cash requirements.

2.4.4. General description of the procedures relating to the preparation and treatment of financial and accounting information.

The administrative and accounting procedures are established in such a way that the operations reflected in the annual financial statements fulfill the objectives with regard to regularity and fairness. These procedures are integrated into the internal audit described above.

These procedures are based on:

- integrated management and accounting systems,
- separation of tasks insofar as the size of the departments permits,
- supervision and control of operational and functional management and general management.

All of the financial and accounting information is reported monthly to the consolidation department, which carries out a consistency check on the flows and

methods applied. A full consolidation is carried out every quarter. A summary consolidation is carried out in February, May, August and November of each year. The aim of the reporting and consolidation procedures is to guarantee compliance with the accounting principles applied by the company.

Furthermore, the monthly monitoring of the results of the subsidiaries and of the Group enables the general management to verify the financial translation of the strategy assigned to the businesses, involving an audit of the results in the context of the Group's budgetary commitments and business plan.

It should be noted that the subsidiaries are visited regularly by the various managements (general, financial, accounting, operational), thereby ensuring correct adherence to the Group's procedures.

3. Limitations of the powers of the Chief Executive Officer

The Board of Directors has not specified any limitation of power.

Report of the auditors to the shareholders pursuant to the final paragraph of article L.225-235 of the Commercial Code on the report of the chairman of the board of directors of TOUAX with regard to the internal audit procedures relating to the preparation and treatment of accounting and financial information.

Financial year ending on 31 December 2004

In our capacity as the auditors of TOUAX and pursuant to the provisions of the final paragraph of article L. 225-235 of the Commercial Code, we present to you our report on the report drawn up by the Chairman of your company in accordance with the provisions of article L. 225-37 of the Commercial Code in respect of the year ending on 31 December 2004.

It is the duty of the Chairman to account, in his report, for the conditions relating to the preparation and organization of the work of the board of directors and the internal audit procedures established within the company.

Our task is to inform you of our observations on the information provided in the report of the Chairman concerning the internal audit procedures relating to the preparation and treatment of the accounting and financial information.

We have conducted our work in accordance with the professional standards applicable in France. Those standards require that we assess the fairness of the information presented in the report of the Chairman concerning the internal audit

procedures relating to the preparation and treatment of accounting and financial information.

Our work involved in particular:

acquainting ourselves with the objectives and the general organization of the internal audit, and with the internal audit procedures relating to the preparation and treatment of accounting and financial information, as presented in the report of the Chairman;

acquainting ourselves with the work on which information thus provided in the report is based.

On the basis of our work, we have no observations to make concerning the information given in relation to the internal audit procedures of the company relating to the preparation and treatment of accounting and financial information, as contained in the report of the Chairman of the Board of Directors drawn up pursuant to the provisions of the final paragraph of article L. 225-37 of the Commercial Code.

Paris and Neuilly-sur-Seine, 25 May 2005

The Statutory Auditors

DELOITTE & ASSOCIES

Bertrand de FLORIVAL

LEGUIDE NAÏM & ASSOCIES

Paul NAÏM