



International Paper Foodservice (Europe) Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 497043



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Directors' report

For the year ended 31 December 2001

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 2001.

Principal activity and business review

The principal activity of the company is the manufacture and sale of disposable paper products for the food industry. During the year the company commenced trading after previously being dormant.

Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 6 to 14. The profit for the year after taxation was £5,394 (2000 - £nil).

The directors do not recommend payment of a dividend (2000 - £nil).

Directors and their interests

The directors who served during the year were as follows:

B.T. Hentz	(USA)	(appointed 28 June 2001)
P. Herbert	(Netherlands)	(appointed 28 June 2001)
D. Staab	(Belgium)	(appointed 28 June 2001)
R. Yajnik	(USA)	(appointed 28 June 2001)
R.M. Amen	(USA)	(resigned 28 June 2001)
H.G. Fahner		(resigned 28 June 2001)
D.E. Hatton		(resigned 28 June 2001)

S.A. McCandless was appointed company secretary on 1 December 2001. The directors do not hold any options to buy shares in any International Paper UK group company.

Directors' report (continued)

Auditors

The directors will consider the appointment of auditors at the annual general meeting.

By order of the Board,



S. McCandless
Secretary

Unit 7A
Yeadon Airport Industrial Estate
Harrogate Road
Yeadon

26 July 2002

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; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

To the Shareholders of International Paper Foodservice (Europe) Limited:

We have audited the financial statements of International Paper Foodservice (Europe) Limited for the year ended 31 December 2001 which comprise the Profit and loss account, the Balance sheet and the related Notes numbered 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 Act 1985. We also report to you 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 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 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 circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and for the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Arthur Andersen', with a long horizontal flourish extending to the right.

Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

26 July 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	1	690,832	-
Cost of sales		615,275	-
		<hr/>	<hr/>
Gross profit		75,557	-
Other operating expenses (net)	2	(72,019)	-
		<hr/>	<hr/>
Operating profit		3,538	-
Interest receivable and similar income		2,725	-
Interest payable and similar charges	3	(869)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	5,394	-
Tax on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
Retained profit for the year	13	5,394	-
		<hr/>	<hr/>

All activity has arisen from continuing operations. The company has no recognised gains or losses in either year other than the profit for that year.

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

Balance sheet
31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	812,770	-
Current assets			
Stocks	8	114,878	-
Debtors	9	886,348	231,171
Cash at bank and in hand		71,696	-
		1,072,922	231,171
Creditors: Amounts falling due within one year	10	(799,127)	-
Net current assets		273,795	231,171
Net assets		1,086,565	231,171
Capital and reserves			
Called-up share capital	11	852,550	2,550
Profit and loss account	12	243,015	228,621
Equity shareholders' funds	13	1,086,565	231,171

The financial statements on pages 6 to 14 were approved by the board of directors and signed on its behalf by:

Director

26 July 2002

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

Statement of accounting policies

31 December 2001

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	12 years
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Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on an average cost basis, including transport
Work-in-progress	-	cost of direct materials and labour, plus a reasonable proportion
and finished goods		of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal 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

UK corporation 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 provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Statement of accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Notes to the financial statements

31 December 2001

1 Turnover

Turnover arises solely in the United Kingdom from the company's principal activity.

2 Other operating expenses (net)

	2001 £	2000 £
Administrative expenses	77,058	-
Other operating income	(5,039)	-
	<u>72,019</u>	<u>-</u>

3 Interest payable and similar charges

	2001 £	2000 £
Bank overdraft	<u>869</u>	<u>-</u>

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Staff costs (note 5)	36,852	-
Depreciation of owned tangible fixed assets	986	-
Auditors' remuneration	<u>2,250</u>	<u>-</u>

Auditors' remuneration is borne by fellow group undertakings.

Notes to the financial statements (continued)

5 Staff costs

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

	2001 Number	2000 Number
Production	1	-
Administration	2	3
	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	2001 £	2000 £
Employee costs during the year amounted to:		
Wages and salaries	31,854	-
Social security costs	2,598	-
Other staff costs	2,400	-
	<u>36,852</u>	<u>-</u>

Directors' remuneration was borne by other group companies.

6 Tax on loss on ordinary activities

There is no tax charge in the current year due to the availability of group relief surrendered free of charge.

Notes to the financial statements (continued)

7 Tangible fixed assets

	Assets under construction £	Fixtures and fittings £	Total £
Cost			
Beginning of year	-	-	-
Additions	808,528	5,228	813,756
End of year	808,528	5,228	813,756
Depreciation			
Beginning of year	-	-	-
Charge	-	986	986
End of year	-	986	986
Net book value			
End of year	808,528	4,242	812,770
Beginning of year	-	-	-

Assets in the course of construction of £808,528 (2000 - £nil) have not been depreciated.

8 Stocks

	2001 £	2000 £
Raw materials and consumables	51,462	-
Finished goods	63,416	-
	114,878	-

The replacement cost of stock is not materially different to its balance sheet value.

9 Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	526,077	-
Amounts owed by other group undertakings	231,171	-
Other debtors	129,100	-
	886,348	-

Notes to the financial statements (continued)

10 Creditors: Amounts falling due within one year

	2001 £	2000 £
Trade creditors	71,459	-
Amounts owed to group undertakings	726,856	-
Accruals and deferred income	812	-
	<u>799,127</u>	<u>-</u>

11 Called-up share capital

	2001 £	2000 £
<i>Authorised</i>		
2,000,000 (2000 – 3,000) ordinary shares of £1 each	<u>2,000,000</u>	<u>3,000</u>
<i>Allotted, called-up and fully-paid</i>		
852,250 (2000 – 2,550) ordinary shares of £1 each	<u>852,550</u>	<u>2,550</u>

12 Profit and loss account

	£
Beginning of year	228,621
Retained profit for the year	<u>5,394</u>
End of year	<u>234,015</u>

13 Reconciliation of movements in equity shareholders' funds

	2001 £	2000 £
Issue of share capital	850,000	-
Profit for the financial year	5,394	-
Opening shareholders' funds	<u>231,171</u>	<u>231,171</u>
Closing shareholders' funds	<u>1,086,565</u>	<u>231,171</u>

Notes to the financial statements (continued)

14 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were £73,657 (2000 - £nil).

b) Lease commitments

The company has no annual commitments in respect of operating leases (2000 - £nil).

15 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised 1996), the company has not produced a cash flow statement because its ultimate parent company, International Paper Company has prepared consolidated financial statements which include the financial statements of the company for the year.

16 Ultimate controlling party

The directors regard International Paper Company, a company incorporated in the state of New York, USA as the ultimate parent company and ultimate controlling party.

The largest group of which International Paper Foodservice (Europe) Limited is a member and for which group financial statements are drawn up is that headed by International Paper Company, whose principal place of business is at 2 Manhattanville Road, Purchase, New York 10577, USA. The smallest such group is that headed by International Paper Group (UK) Limited, whose principal place of business is at Inverurie Mills, Inverurie, Aberdeenshire, Scotland AB51 5NR.

As a wholly owned subsidiary of International Paper Company the company has taken the exemption given in Financial Reporting Standard No. 8 "Related party disclosures" not to disclose related party transactions with other group companies.