

**INTERNATIONAL PAPER FOODSERVICE  
(EUROPE) LIMITED**

**Report and Financial Statements**

**31 December 2006**



# **INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

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# **INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

W A Wells  
W B Brennan  
M E Turner  
D Rowan

#### **SECRETARY**

S McCandless (resigned 1 February 2007)  
M Clark (appointed 1 February 2007)

#### **REGISTERED OFFICE**

Road 3  
Winsford Industrial Estate  
Winsford  
Cheshire  
CW7 3RJ

#### **BANKERS**

ABN Amro

#### **SOLICITORS**

Pannone & Partners LLP

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants & Registered Auditors  
Manchester

# **INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2006. The directors report has been prepared in accordance with the special provisions relating to small companies under section 246(8) of the Companies Act 1985.

### **ACTIVITIES**

The principal activity of the company is the manufacture and sale of disposable paper products for the food industry. The directors are satisfied with increased turnover and profit levels which have arisen as a result of further expansion into European Markets. The directors expect continued growth in the UK and European markets leading to further improvements in profitability.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The audited financial statements for the year ended 31 December 2006 are set out on pages 5 to 13. The profit for the year after taxation was £749,820 (2005 - £529,170).

The directors do not recommend payment of a dividend (2005 - £nil).

### **FUTURE PROSPECTS**

The directors continue to expect growth in the UK and northern European Markets leading to improved profitability and increased investment.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

W A Wells  
W R. Brennan  
M E Turner  
D Rowan

The directors have no interests required to be disclosed under Schedule 7 of the Companies Act 1985.

### **STATEMENT REGARDING THE DISCLOSURE OF INFORMATION TO AUDITORS**

In accordance with s234ZA of the Companies Act 1985, each director confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps they ought to have taken as directors to make themselves aware of and relevant audit information and to establish that the company's auditors are aware of that information.

### **DIRECTORS' AND OFFICERS' LIABILITY**

Directors' and officers' liability insurance has been purchased by the company during the year.

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

  
Secretary

31 October 2007

# **INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

We have audited the financial statements of International Paper Foodservice (Europe) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 17. 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 section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion**

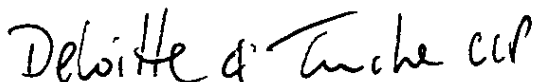
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Manchester, United Kingdom  
31 October 2007

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Note	2006 £	2005 £
<b>TURNOVER</b>	1	5,050,129	4,248,768
Cost of sales		(3,951,273)	(3,319,481)
<b>GROSS PROFIT</b>		1,098,856	929,287
Other operating expenses	2	(482,062)	(445,031)
<b>OPERATING PROFIT</b>		616,794	484,256
Interest receivable and similar income	3	88,943	47,720
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	705,737	531,976
Tax on profit on ordinary activities	6	50,307	(2,806)
<b>RETAINED PROFIT FOR THE YEAR</b>	13,14	756,044	529,170

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. Accordingly no separate statement of total recognised gains and losses has been presented.

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

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## BALANCE SHEET 31 December 2006

	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	<u>578,942</u>	<u>627,423</u>
<b>CURRENT ASSETS</b>			
Stocks	8	417,340	410,922
Debtors	9	709,368	701,799
Cash at bank and in hand		<u>2,230,220</u>	<u>1,524,645</u>
		3,356,928	2,637,366
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(568,874)</u>	<u>(603,530)</u>
<b>NET CURRENT ASSETS</b>		<u>2,788,054</u>	<u>2,033,836</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,368,996	2,661,259
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	<u>(56,760)</u>	<u>(107,067)</u>
<b>NET ASSETS</b>		<u>3,310,236</u>	<u>2,554,192</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	12	852,550	852,550
Profit and loss account	13	<u>2,457,686</u>	<u>1,701,642</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>3,310,236</u>	<u>2,554,192</u>

These financial statements were approved by the Board of Directors on 31 October 2007

Signed on behalf of the Board of Directors

Director

31.10.07



# **INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

## **STATEMENT OF ACCOUNTING POLICIES**

**Year ended 31 December 2006**

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 UK 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

Plant and machinery - 5-12 years

Fixtures and fittings - 3 years

### **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 of manufacturing overheads based on normal levels of activity

Finished goods - 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 substantively enacted by the balance sheet date. Where tax losses are utilised when surrendered from fellow group undertakings no payment is made to that company. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **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. Revenue is recognised when, in the opinion of the directors, the company has fulfilled its obligations under the terms of sale and title of the goods has been transferred to the buyer. This is on receipt of the goods by the customer.

## **INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES (continued)**

**Year ended 31 December 2006**

#### **OPERATING LEASES**

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

#### **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 Limited has prepared consolidated financial statements which include the financial statements of the company for the year

#### **PENSION COSTS**

Amounts paid by the company into a defined contribution pension scheme are charged to the profit and loss account in the period in which the contributions fall due for payment

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

### 1 TURNOVER

	2006 £	2005 £
Geographical analysis of turnover by destination		
United Kingdom	2,751,398	2,557,121
Europe	2,298,731	1,691,647
	<u>5,050,129</u>	<u>4,248,768</u>

All turnover originated in the UK

### 2 OTHER OPERATING EXPENSES

	2006 £	2005 £
Administrative expenses	<u>482,062</u>	<u>445,031</u>

### 3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £	2005 £
Investment income	<u>88,943</u>	<u>47,720</u>

### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2006 £	2005 £
Staff costs (note 5)	366,628	342,180
Depreciation	80,618	77,718
Foreign exchange loss	15,512	59,232
Operating lease rentals – plant & machinery	18,935	15,472
Fees payable to the company's auditors for the audit of the company's annual accounts	8,875	12,455
	<u></u>	<u></u>

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2006

### 5 STAFF COSTS

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

	2006 Number	2005 Number
Production	8	8
Administration	4	4
	<u>12</u>	<u>12</u>

Their aggregate remuneration comprised

	2006 £	2005 £
Wages and salaries	301,496	303,616
Social security costs	16,245	18,476
Employers pension contributions and other staff costs	48,887	20,088
	<u>366,628</u>	<u>342,180</u>

	2006 £	2005 £
Directors remuneration	<u>91,489</u>	<u>84,549</u>

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises.

	2006 £	2005 £
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>	-	-
Origination and reversal of timing differences	(50,307)	2,806
Adjustment in respect of prior years	-	-
<b>Total deferred tax</b>	<u>(50,307)</u>	<u>2,806</u>
<b>Total tax on profit on ordinary activities</b>	<u>(50,307)</u>	<u>2,806</u>

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2006

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES (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:

	2006 £	2005 £
Profit on ordinary activities before tax	705,737	531,976
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2005 – 30%)	211,721	159,593
Effects of		
Permanent differences	654	190
Capital allowances in excess of depreciation	50,307	(2,806)
Group relief received for nil consideration	(262,682)	(156,977)
Current tax charge for the year	-	-

### 7 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2006	911,264	5,856	917,120
Additions	32,137	-	32,137
At 31 December 2006	943,401	5,856	949,257
<b>Depreciation</b>			
At 1 January 2006	283,841	5,856	289,697
Charge for the year	80,618	-	80,618
At 31 December 2006	364,459	5,856	370,315
<b>Net book value</b>			
At 31 December 2006	578,942	-	578,942
At 31 December 2005	627,423	-	627,423

### 8 STOCKS

	2006 £	2005 £
Raw materials and consumables	274,017	173,706
Work-in-progress and finished goods	143,323	237,216
	417,340	410,922

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

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2006

### 9 DEBTORS

	2006 £	2005 £
Amounts receivable within one year		
Trade debtors	699,308	696,151
Other debtors	988	5,648
VAT recoverable	9,072	-
	<u>709,368</u>	<u>701,799</u>

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	85,201	40,163
Amount owed to related undertaking	-	4,748
Amounts owed to group undertakings	391,847	432,609
Accruals and deferred income	91,826	92,330
VAT liability	-	33,680
	<u>568,874</u>	<u>603,530</u>

Amounts owed to related undertakings consist of a balance outstanding in 2005 to International Paper Australia

### 11 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Beginning of year	107,067
Charged to profit and loss account	(50,307)
End of year	<u>56,760</u>

Deferred taxation provided is as follows

	Provided 2006 £
Capital allowances in excess of depreciation	<u>56,760</u>

There is no unprovided deferred taxation in either year

### 12 CALLED-UP SHARE CAPITAL

	2006 £	2005 £
<i>Authorised</i>		
2,000,000 (2005 – 2,000,000) ordinary shares at £1 each	<u>2,000,000</u>	<u>2,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
852,550 (2005 – 852,550) ordinary shares at £1 each	<u>852,550</u>	<u>852,550</u>

# INTERNATIONAL PAPER FOODSERVICE (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2006

### 13 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2006	1,701,642
Retained profit for the year	<u>756,044</u>
At 31 December 2006	<u><u>2,457,686</u></u>

### 14 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	756,044	529,170
Opening equity shareholders' funds	<u>2,554,192</u>	<u>2,025,022</u>
Closing equity shareholders' funds	<u><u>3,310,236</u></u>	<u><u>2,554,192</u></u>

### 15 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

#### a) Capital commitments

At the end of the year, capital commitments were £nil (2005 - £nil)

#### b) Lease commitments

The company has the following annual commitments in respect of operating leases for plant and machinery

	2006 £	2005 £
Within one year	18,935	6,760
Between two and five years	<u>45,083</u>	<u>15,799</u>
	<u><u>64,018</u></u>	<u><u>22,559</u></u>

### 16 SUBSEQUENT EVENTS

In August 2007, the company entered a 10 year lease agreement on a new property. The total commitment over the life of the lease is £2.3m repayable in equal quarterly instalments.

### 17 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 immediate parent company is IP UK Operations Holdings Limited whose registered office is at Unit 7A, Meadow Airport Industrial Estate, Meadow, West Yorkshire, LS19 7WP.

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 6400 Poplar Avenue, Memphis, TN 38197, 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.