



Arjo Wiggins

Carbonless Paper Operations - Europe

Arjo Wiggins US Holdings Limited

**Directors' report and financial statements
for the year ended 31st December 2000**

Registered Number 2514812



**Directors' report and financial statements
for the year ended 31st December 2000**

Contents	Pages
Directors' report	1 - 2
Statement of directors' responsibilities for the financial statements	3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

Arjo Wiggins US Holdings Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31st December 2000.

Principal activities

The Company is an investment holding company. Its subsidiary companies are engaged in the manufacture, conversion and distribution of carbonless copying, thermal and other paper products.

Review of business

During the year the Company disposed of its shareholding in Appleton Investments Inc, which produced a profit on disposal of £6.5m. Both the level of business and the year-end position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The audited accounts for the year ended 31st December 2000 are set out on pages 5 – 12.

The Directors recommend that no final dividend be declared on the ordinary shares for the year ended 31st December 2000.

Directors

The directors holding office during the year were:

Mr R I Chaplin

Mr J A Jarvis

Mr P J Taylor

Directors' interests

Share capital and share option schemes

According to the Company's register, no director of the Company, nor members of his family as defined by the Companies Act 1985, had any interest in the shares of the Company.

Details of the acquisition, surrender and exercise by Mr Chaplin, Mr Jarvis and Mr Taylor of options to subscribe for shares in Arjo Wiggins Appleton p.l.c. are contained in the Directors' Report and Accounts for the financial year ending 31st December 2000 of Arjo Wiggins Appleton Holdings Limited.

Mr Chaplin, Mr Jarvis and Mr Taylor did not have an interest in the shares of Arjo Wiggins Appleton p.l.c. or any other company in the Arjo Wiggins Appleton group of companies on 31st December 2000.

Arjo Wiggins US Holdings Limited

Directors' report

Auditors

PricewaterhouseCoopers were appointed as auditors to the Company in 1998. The Company has passed an Elective Resolution pursuant to Section 386 of the Companies Act 1985. In consequence it is not necessary for the Company to appoint auditors annually. Accordingly, PricewaterhouseCoopers are deemed to continue in office as auditors to the Company.

By order of the Board



.....
D G Sawyer

Secretary

16th March, 2001

Registered office:
St Clement House
Alençon Link
Basingstoke
Hampshire
RG21 7SB

Arjo Wiggins US Holdings Limited

Statement of directors' responsibilities for the financial statements

The Directors are required by UK company law to prepare, for each financial year, financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss and total recognised gains and losses for that period.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements for the year ended 31st December 2000. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

By order of the board



D G Sawyer

Secretary

16th March, 2001

Arjo Wiggins US Holdings Limited

Report of the auditors

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
6 March, 2001

Arjo Wiggins US Holdings Limited

Financial statements

Profit and loss account for the year ended 31st December 2000

Notes		2000	1999
		£m	£m
2	Operating expenses	(17.3)	(10.2)
	Operating loss	(17.3)	(10.2)
	Income from shares in subsidiary undertakings	18.8	30.4
4	Profit/(loss) on disposal of investments in subsidiary undertakings	6.5	(0.6)
5	Interest receivable and similar income	46.7	52.0
6	Interest payable and similar charges	(15.2)	(46.9)
	Profit on ordinary activities before taxation	39.5	24.7
7	Tax on profit on ordinary activities	-	3.4
	Profit on ordinary activities after taxation	39.5	28.1
	Dividends	-	-
14	Retained profit for the year	39.5	28.1

The operating loss for 2000 and 1999 arose from continuing operations.

The Company has no recognised gains and losses other than those in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

Arjo Wiggins US Holdings Limited

Financial statements

Balance Sheet as at 31st December 2000

Note		2000 £m	1999 £m
	Fixed assets		
8	Investment in subsidiary undertakings	764.0	786.9
	Current assets		
9	Debtors	821.0	750.9
	Cash at bank and in hand	6.9	-
		827.9	750.9
	Creditors: amounts falling due within one year		
10	Short-term borrowings	(226.1)	(211.5)
11	Other creditors	(0.9)	(0.9)
		(227.0)	(212.4)
	Net current assets	600.9	538.5
	Total assets less current liabilities	1,364.9	1,325.4
	Net assets	1,364.9	1,325.4
	Capital and reserves		
12	Called-up share capital	1,271.9	1,271.9
14	Profit and loss account	93.0	53.5
13	Shareholders' funds (equity interests)	1,364.9	1,325.4

The financial statements on pages 5 - 12 were approved by the board of directors on 16th March, 2001 and were signed on its behalf by



Director

Arjo Wiggins US Holdings Limited

Notes to the financial statements

1. Principal accounting policies

The financial statements have been prepared in accordance with accounting standards applicable in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the related forward contract rate. All monetary assets and liabilities expressed in foreign currencies and not covered by forward contracts are retranslated into sterling at rates of exchange ruling at the end of the financial year. Differences between the translated trading transactions and subsequent cash settlements, or retranslated related balances, are taken to the profit and loss account.

Investments in subsidiary undertakings and joint ventures

Investments in subsidiary undertakings and joint ventures are stated at cost, less any provision for permanent diminution in value.

Deferred taxation

Provision is made for deferred taxation in respect of timing differences, using the liability method, to the extent that it is probable that the liability or asset will crystallise.

2. Operating expenses

	2000	1999
	£m	£m
Exchange loss on foreign currency loans	(17.3)	(10.2)

The Auditors' remuneration for the year has been borne by Arjo Wiggins Appleton Holdings Limited.

3. Directors' emoluments

None of the directors is in receipt of any emoluments or any other benefit in respect of their services as a director of the Company.

Arjo Wiggins US Holdings Limited

Notes to the financial statements

3. Directors' emoluments (continued)

Mr J A Jarvis and Mr P J Taylor are directors of Arjo Wiggins Appleton Holdings Limited, a holding company for most of the companies in the Carbonless Paper Operations - Europe part of the Carbonless & Thermal Papers Division of the Arjo Wiggins Appleton group. They provide management and other services for all those companies. Accordingly, their emoluments and the contributions for their benefit to group occupational pension schemes are disclosed in the Directors Report and Accounts of Arjo Wiggins Appleton Holdings Limited.

4. Profit / (loss) on disposal of investments in subsidiary undertakings

	2000	1999
	£m	£m
Profit/(loss) on disposal of investment in subsidiary undertakings to another group undertaking	6.5	(0.6)

5. Interest receivable and similar income

	2000	1999
	£m	£m
Short-term deposit interest	-	0.1
Interest receivable from parent company	46.7	30.8
Interest receivable from fellow subsidiary undertakings	-	21.1
	46.7	52.0

6. Interest payable and similar charges

	2000	1999
	£m	£m
Interest payable on bank borrowings	-	1.4
Interest payable to parent company	-	18.4
Interest payable to fellow subsidiary undertakings	15.2	27.1
	15.2	46.9

Arjo Wiggins US Holdings Limited

Notes to the financial statements

7. Tax on profit on ordinary activities

	2000 £m	1999 £m
UK Corporation Tax at 30% (1999: 30.25%)	13.3	10.9
Less: group relief surrendered by other group undertakings for no Consideration	(7.0)	-
Double taxation relief	(6.3)	(10.9)
Prior year adjustment:		
- Current tax	-	(3.4)
	-	(3.4)

Profit on ordinary activities before taxation, includes income receivable from shares in subsidiary undertakings based outside the UK. The income, together with the related tax credits, is subject to UK Corporation Tax. The tax credits are then available to provide double taxation relief.

The gain on disposal of investments in subsidiary undertakings, included in the 2000 profit on ordinary activities before taxation is taxable for the purpose of UK Corporation tax.

8. Investments in subsidiary undertakings

At Cost	Total £m
At 31 st December 1999	786.9
Disposals	(22.9)
At 31 st December 2000	764.0

Details of principal subsidiary undertakings are as follows:

Name of undertaking and nature of business	Country of incorporation (or registration and operation)	Description of shares held	Proportion of nominal value of issued shares held	
Investment holding companies				
Appleton Investments LLC	USA	Class A common shares of US\$100	87.50%	*
		Class A preferred shares of US\$100	87.50%	*
		Class B common shares of US\$1m	87.50%	*
		Class B preferred shares of US\$1m	87.50%	*
Paper manufacturing, sales and distribution				
Appleton Papers Inc.	USA	Common shares of US\$100	100%	+
* The remaining 12.50% of Appleton Investments LLC is held by a fellow subsidiary.				
+ 100% is held indirectly by Appleton Investments LLC.				

Arjo Wiggins US Holdings Limited

Notes to the financial statements

8. Investments in subsidiary undertakings (continued)

No consolidated accounts are submitted, as the company, being a wholly-owned subsidiary of another company incorporated in Great Britain is exempt under Section 228(1) of the Companies Act, 1985. The directors are of the opinion that the aggregate value of the assets of the company, consisting of shares in, and amounts owing from the company's subsidiaries is not less than the aggregate of the amounts at which these assets are stated in the balance sheet.

During the year the company has disposed of its holdings in Arjo Wiggins Investments Inc.

The company has 87.5% interest in the Arjo Wiggins Delaware General Partnership, which operates in the United States, the results of which are proportionately consolidated in these accounts. The remaining 12.5% of Arjo Wiggins Delaware General Partnership is held by a fellow group company.

9. Debtors

	2000	1999
	£m	£m
Loans to parent company repayable on demand	821.0	750.9

All loans to group companies bear interest calculated by reference to market rates.

10. Short term borrowings

	2000	1999
	£m	£m
Loans from fellow subsidiary undertakings	226.1	211.4
Bank loan and overdrafts	-	0.1
	226.1	211.5

The loans from fellow subsidiary undertakings are repayable on demand and bear interest calculated by reference to market rates.

11. Creditors: amounts falling due within one year

	2000	1999
	£m	£m
Interest payable to subsidiary undertakings	0.9	0.9

Arjo Wiggins US Holdings Limited

Notes to the financial statements

12. Called Up Share Capital

	2000	1999
Authorised, allotted and fully paid	£m	£m
1,271,907,900 ordinary shares of £1 each	1,271.9	1,271.9

13. Reconciliation of movements in shareholders' funds

	2000 £m	1999 £m
Profit on ordinary activities after taxation	39.5	28.1
Dividends declared and paid	-	-
Increase in share capital	-	384.6
Net addition to shareholders' funds	39.5	412.7
Opening shareholders' funds	1,325.4	912.7
Closing shareholders' funds	1,364.9	1,325.4

14. Reserves

	2000 £m
Profit and loss account	
At 31 st December 1999	53.5
Retained profit for the year	39.5
At 31 st December 2000	93.0

15. Contingent liabilities

The Company is a participant in a cash pooling arrangement operated by its UK clearing banker. The Company has guaranteed the overdraft balances of certain other UK companies in Arjo Wiggins Appleton group with the bank. At 31st December 2000, the maximum amount guaranteed was £8.6 million.

16. Cash flow

The Company is a wholly-owned subsidiary of Worms et Cie S.A. and the cash flows of the Company are included in the consolidated cash flow statement of Worms et Cie S.A. Consequently, the Company is exempt under the terms of Financial Reporting Standard (FRS) No.1 (Revised) from publishing a cash flow statement.

Arjo Wiggins US Holdings Limited

Notes to the financial statements

17. Related parties

Related party transactions

Under an exemption granted by FRS 8 “Related party disclosures”, the Company, as a member of the Worms et Cie group, is not required to, and does not, disclose transactions with fellow members, associated undertakings and joint ventures of that group.

Immediate and ultimate parent company

The immediate parent company is Arjo Wiggins Appleton Holdings Limited.

Further parent companies for which group accounts are prepared are IFIL – Finanziaria di Partecipazioni S.p.A., and IFI – Istituto Finanziario Industriale S.p.A., both companies registered in Italy. A copy of the financial statements of those companies can be obtained from the Secretary, at the following address:

Corso Matteotti, 26,
10121 Turin
Italy

The ultimate parent company and controlling party is Giovanni Agnelli & Co, a company registered in Italy.