

2284965

# Townsend Hook Limited

## Report and Accounts

11 months ended 31 December 1994



**ERNST & YOUNG**

# Townsend Hook Limited

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Registered No. 2284965

## **DIRECTORS**

W A Smith (Chairman)  
M J Clayton  
R J Connolly  
B A Bisset  
N G Peen

## **SECRETARY**

R J Connolly

## **AUDITORS**

Ernst & Young  
Chartered Accountants  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## **REGISTERED OFFICE**

The Mill  
Snodland  
Kent ME6 5AX

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DIRECTORS' REPORT

The directors present their report and accounts for the 11 months ended 31 December 1994.

**RESULTS AND DIVIDENDS**

During the period the profit on ordinary activities before taxation was £3,991,326 (previous year - £1,064,453) after charging a full year's amortisation of goodwill of £4,358,876 (previous year - £4,358,876). On an annualised basis turnover increased by 20% and gross profit by over 30%. With retained profits brought forward of £9,003,850 and profit after tax for the period of £1,846,736, the directors recommend a dividend of £5,010,121.

**PRINCIPAL ACTIVITIES**

The principal activity of the company is paper-making.

**FUTURE DEVELOPMENTS**

The directors are satisfied with the improvement in results over the period and intend to continue with the management policies that have enabled the company to capitalise on the stronger market within the paper industry.

**FIXED ASSETS**

Movements in tangible fixed assets are shown in note 11 to the accounts.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

W A Smith            (Chairman)  
M J Clayton  
R J Connolly  
B A Bisset  
N G Peen

There are no directors' interests requiring disclosure under the Companies Act 1985.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**EMPLOYEE CONSULTATION**

It is the policy of the company to develop employee involvement throughout the organisation and to ensure that employees are aware of the financial and economic factors affecting the company.

Regular meetings are held, between management and employees' representatives, both formally and informally, where matters of specific interest are discussed.

Consultation with employees or their representatives exists on a regular basis covering health and safety and other matters affecting their welfare, and their views are taken into consideration when making decisions.

A wide range of training programmes is held for employees.

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DIRECTORS' REPORT

**AUDITORS**

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the next Annual General Meeting.

By order of the board

Secretary



**25 OCT 1995**

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 to enable them to ensure that the accounts 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.

**REPORT OF THE AUDITORS****to the members of Townsend Hook Limited**

We have audited the accounts on pages 6 to 17, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

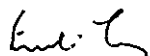
**Basis of opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

**- 8 NOV 1995**

# Townsend Hook Limited

## PROFIT AND LOSS ACCOUNT

for the 11 months ended 31 December 1994

	<i>Notes</i>	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
<b>TURNOVER</b>	2	71,473,049	65,188,645
Cost of sales		53,194,487	49,989,190
<b>GROSS PROFIT</b>		18,278,562	15,199,455
Other operating expenses	3	13,662,144	13,363,662
<b>OPERATING PROFIT</b>		4,616,418	1,835,793
Interest income	5	474,191	480,631
Interest payable and similar charges	6	(1,099,283)	(1,251,971)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	3,991,326	1,064,453
Taxation	8	2,144,590	(321,273)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,846,736	1,385,726
Dividends	9	5,010,121	2,622,206
<b>LOSS RETAINED FOR THE FINANCIAL YEAR</b>		(3,163,385)	(1,236,480)

There were no recognised gains or losses other than those shown above.

# Townsend Hook Limited

## BALANCE SHEET

at 31 December 1994

	Notes	31 December 1994 £	31 January 1994 £
<b>FIXED ASSETS</b>			
Intangible assets	10	60,633,056	64,991,932
Tangible assets	11	40,969,299	39,696,612
		<u>101,602,355</u>	<u>104,688,544</u>
<b>CURRENT ASSETS</b>			
Stocks	12	10,062,902	11,040,981
Debtors	13	23,651,407	41,445,046
Cash at bank		3,804,430	41,963
		<u>37,518,739</u>	<u>52,527,990</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(18,387,228)</u>	<u>(19,813,066)</u>
<b>NET CURRENT ASSETS: including amounts falling due after more than one year of £2,142,427 (31 January 1994 - £15,363,130)</b>		<u>19,131,511</u>	<u>32,714,924</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>120,733,866</u>	<u>137,403,468</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(44,089,596)</u>	<u>(59,552,403)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	16	<u>(3,192,470)</u>	<u>(1,235,880)</u>
		<u>73,451,800</u>	<u>76,615,185</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	15,037,415	15,037,415
Share premium account	18	37,377,585	37,377,585
Revaluation reserve	18	14,886,000	15,196,335
Profit and loss account	18	6,150,800	9,003,850
		<u>73,451,800</u>	<u>76,615,185</u>

Approved by the Board on



)  
) Directors

25 OCT 1995



## NOTES TO THE ACCOUNTS

at 31 December 1994

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The accounts have been prepared under the historical cost convention modified to include the revaluation of freehold properties, and in accordance with applicable accounting standards.

#### *Research and development*

Research and development expenditure is written off in the year of expenditure.

#### *Goodwill*

The purchased goodwill is amortised over twenty years which is deemed to be the period over which benefits may reasonably be expected to accrue from the acquisition of the paper-making business.

#### *Tangible fixed assets*

Freehold land and buildings are stated at 1991 directors' valuation with subsequent additions at cost. Other fixed assets are recorded at cost.

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

Freehold buildings	- 50 years
Plant and machinery	- 5 - 20 years
Motor vehicles	- 5 years
Fixtures, fittings and office equipment	- 3 - 10 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from revaluation reserve to the profit and loss account.

#### *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 a first-in, first-out basis, including transport.
Work-in-progress and finished goods	- cost of direct materials and labour, plus an appropriate proportion of manufacturing overhead based on normal levels of activity.

Net realisable value is based on estimated 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.

#### *Deferred taxation*

Provision is made at appropriate rates for the taxation effects arising from all timing differences other than those which are expected by the directors to continue within the foreseeable future.

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES (continued)

*Pension costs*

The company participates in two pension schemes. Contributions to the defined contribution scheme are charged to the profit and loss account as they become due in accordance with the scheme rules. Pension costs under the group's defined benefit scheme are charged to the profit and loss account in a systematic manner over the service lives of employees in the group scheme. The pension cost is assessed in accordance with the advice of a professionally qualified actuary and comprises:

- i) The regular pension cost, that is the consistent ongoing cost, calculated as a level percentage of the current and expected future pensionable payroll.
- ii) Variations from the regular cost, arising from pension scheme surpluses or deficits allocated over the expected remaining service lives of employees in each scheme.

Any material difference between the pension cost calculated above and the pension contributions paid is charged or credited to the profit and loss account and recorded as an accrual or prepayment as appropriate.

*Foreign currencies*

Transactions denominated in foreign currencies are recorded in sterling at the exchange rate on the date of the transaction and adjusted to actual on settlement. Monetary assets and liabilities denominated in foreign currencies at the year end are retranslated to the rates of exchange prevailing at the year end, or at the rate of exchange in a related forward exchange contract.

*Leases*

Rentals paid in respect of assets held under operating leases are charged to income on a straight line basis over the lease term.

2. TURNOVER AND SEGMENTAL INFORMATION

Turnover comprises the invoiced value of goods sold and services rendered in the normal course of business, excluding value added tax.

All turnover and profit before taxation arise from the company's continuing principal activities, all within Europe.

3. OTHER OPERATING EXPENSES

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Distribution costs	3,054,747	3,193,934
Administration expenses	6,623,000	5,914,977
Amortisation of purchased goodwill	4,358,876	4,358,876
	<u>14,036,623</u>	<u>13,467,787</u>
Other operating income	(374,479)	(104,125)
	<u>13,662,144</u>	<u>13,363,662</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

4. STAFF COSTS

(a) Particulars of company employees (including executive directors) are shown below:

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Wages and salaries	9,315,557	10,230,180
Social security costs	764,718	831,625
Pension and other costs	871,526	820,123
Redundancy costs	87,301	117,234
	<u>11,039,102</u>	<u>11,999,162</u>

The number of persons employed by the company at the period end was 507 (previous year - 524 ).

(b) Directors' remuneration:

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Fees as director	—	—
Other emoluments (including pension contributions)	181,152	276,376
Compensation for loss of office	—	117,234
	<u>181,152</u>	<u>393,610</u>

Directors' emoluments (excluding pension contributions) were in the following ranges:

	<i>11 months ended 31 December 1994 No.</i>	<i>Year ended 31 January 1994 No.</i>
£nil - £5,000 per annum	3	3
£30,001 - £35,000 per annum	—	1
£50,001 - £55,000 per annum	—	1
£75,001 - £80,000 per annum	1	—
£80,001 - £85,000 per annum	—	1
£95,001 - 100,000 per annum	1	—
£100,001 - £105,000 per annum	—	1

NOTES TO THE ACCOUNTS

at 31 December 1994

4. STAFF COSTS (continued)

Three of the directors (including the chairman) receive no remuneration from the company. They are remunerated as employees or directors of a parent company and it is not possible to apportion their remuneration between their services as directors of the company and as directors or employees of other group companies.

The chairman received no emoluments from the company for the period (previous year - £nil). The highest paid director received £92,616 for the period (previous year - £101,739) excluding pension contributions.

5. INTEREST INCOME

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Interest on group balances	434,798	472,055
Other	39,393	8,576
	<u>474,191</u>	<u>480,631</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
On bank overdrafts	128,026	111,088
On group balances	949,464	1,136,441
Finance charges payable under finance leases with group company	6,837	4,389
Other	14,956	53
	<u>1,099,283</u>	<u>1,251,971</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Depreciation	1,580,779	1,798,726
Amortisation of goodwill	4,358,876	4,358,876
Maintenance costs	3,635,759	2,780,701
Operating lease rentals - plant and machinery	76,706	61,074
Auditors' remuneration - audit fees	40,996	38,500
- non audit fees	7,210	13,475
Rents receivable	(63,045)	(55,358)
Profit on sale of tangible fixed assets	(265,109)	(9,421)

8. TAXATION

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Based on the results for the period:		
Corporation tax at 33%	188,000	—
Deferred taxation	2,010,505	725,902
	2,198,505	725,902
Corporation tax overprovided in previous years	—	(672,725)
Deferred taxation overprovided in previous years	(53,915)	(374,450)
	2,144,590	(321,273)

For the period to 31 December 1994 the effective tax charge is 26.3% (previous year - 13.4%) of profits, after adjustment for the amortisation of goodwill of £4.4m which is not deductible for tax purposes. This low rate reflects the benefit of group relief to be claimed for £nil consideration.

9. DIVIDENDS

	<i>11 months ended 31 December 1994 £</i>	<i>Year ended 31 January 1994 £</i>
Ordinary - final proposed	5,010,121	2,622,206

NOTES TO THE ACCOUNTS

at 31 December 1994

10. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	87,177,524
Amortisation:	
At start of period	22,185,592
Provided during the period	4,358,876
At end of period	26,544,468
Net book value:	
At end of period	60,633,056
At start of period	64,991,932

11. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £	<i>Plant and machinery, motor vehicles and fixtures</i> £	<i>In course of construction</i> £	<i>Total</i> £
Cost or valuation:				
At start of period	22,997,528	39,053,628	259,489	62,310,645
Additions	126	1,634,409	1,452,521	3,087,056
Disposals	(210,900)	(894,181)	—	(1,105,081)
Transfers	8,553	250,936	(259,489)	—
At end of period	22,795,307	40,044,792	1,452,521	64,292,620
Depreciation:				
At start of period	902,942	21,711,091	—	22,614,033
Charge	233,119	1,347,660	—	1,580,779
Disposals	(8,908)	(862,583)	—	(871,491)
At end of period	1,127,153	22,196,168	—	23,323,321
Net book value:				
At end of period	21,668,154	17,848,624	1,452,521	40,969,299
At start of period	22,094,586	17,342,537	259,489	39,696,612

Included in the amounts for plant and machinery above are assets with a net book value of £131,904 (£141,376 at start of period) held under finance leases.

NOTES TO THE ACCOUNTS

at 31 December 1994

11. TANGIBLE FIXED ASSETS (continued)

Included in the net book value for land and buildings is freehold land of £10,116,881 which is not being depreciated.

The freehold properties of the company were revalued in 1991 to directors' valuation, which was in line with an open market valuation for existing use prepared by a firm of chartered surveyors as at 31 December 1988. Subsequent additions are stated at cost, as shown below:

	<i>31 December 1994 £</i>	<i>31 January 1994 £</i>
At valuation	20,923,899	21,134,799
At cost	1,871,408	1,862,729
	<u>22,795,307</u>	<u>22,997,528</u>
In course of construction	—	8,553
	<u>22,795,307</u>	<u>23,006,081</u>
	<i>31 December 1994 £</i>	<i>31 January 1994 £</i>
For land and buildings included at valuation:		
Historical cost	5,430,409	5,467,337
Accumulated depreciation based on cost	(389,602)	(336,763)
Net book value - historical cost rules	<u>5,040,808</u>	<u>5,130,574</u>

12. STOCKS

	<i>31 December 1994 £</i>	<i>31 January 1994 £</i>
Raw materials and consumables	6,962,839	6,377,067
Work-in-progress	470,863	539,299
Finished goods and goods for resale	2,629,200	4,124,615
	<u>10,062,902</u>	<u>11,040,981</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

NOTES TO THE ACCOUNTS

at 31 December 1994

13. DEBTORS

	<i>31 December</i> <i>1994</i> £	<i>31 January</i> <i>1994</i> £
Amounts falling due within one year:		
Trade debtors	7,128,377	5,544,887
Due from a parent company and fellow subsidiary undertakings	13,475,482	19,589,637
Other debtors	639,405	33,913
Prepayments and accrued income	265,716	334,998
Corporation tax refund	—	578,481
	<u>21,508,980</u>	<u>26,081,916</u>
Amounts falling due after more than one year:		
Long-term loan to fellow subsidiary, repayable between two and five years	2,142,427	15,363,130
	<u>23,651,407</u>	<u>41,445,046</u>

14. CREDITORS: amounts falling due within one year

	<i>31 December</i> <i>1994</i> £	<i>31 January</i> <i>1994</i> £
Bank overdraft	—	1,010,413
Trade creditors	2,107,724	2,053,197
Due to parent and fellow subsidiary undertakings	2,632,025	7,566,530
Obligations under finance leases with group company	22,195	29,583
Corporation tax	188,000	—
Other taxes and social security	716,970	975,054
Accruals and deferred income	6,838,106	4,215,011
Payments received on account	—	359,719
Other creditors	872,087	981,353
Proposed final dividend	5,010,121	2,622,206
	<u>18,387,228</u>	<u>19,813,066</u>

15. CREDITORS: amounts falling due after more than one year

	<i>31 December</i> <i>1994</i> £	<i>31 January</i> <i>1994</i> £
Obligations under finance leases with group company	89,596	104,403
Long-term loans from group companies	44,000,000	59,448,000
	<u>44,089,596</u>	<u>59,552,403</u>

All finance lease obligations and long-term loan repayments fall due in under five years.



## NOTES TO THE ACCOUNTS

at 31 December 1994

## 16. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided 31 December 1994 £</i>	<i>Provided 31 January 1994 £</i>	<i>Not provided 31 December 1994 £</i>	<i>Not provided 31 January 1994 £</i>
Capital allowances in advance of depreciation	3,635,732	3,198,024	543,218	576,184
Other timing differences	(443,262)	(1,962,144)	—	—
	<u>3,192,470</u>	<u>1,235,880</u>	<u>543,218</u>	<u>576,184</u>
Taxation on valuation surplus	—	—	2,851,000	2,978,000
	<u>3,192,470</u>	<u>1,235,880</u>	<u>3,394,218</u>	<u>3,554,184</u>

## 17. CALLED UP SHARE CAPITAL

	<i>31 December 1994 £</i>	<i>31 January 1994 £</i>
Authorised:		
Ordinary shares of £1 each	<u>16,000,000</u>	<u>16,000,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>15,037,415</u>	<u>15,037,415</u>

## 18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Revaluation reserve £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 February 1993	15,037,415	37,377,585	15,449,798	9,986,867	77,851,665
Revaluation surplus realised on disposals			(108,365)	108,365	—
Excess depreciation on revalued property			(145,098)	145,098	—
Profit for the year				1,385,726	1,385,726
Dividend				(2,622,206)	(2,622,206)
At 1 February 1994	<u>15,037,415</u>	<u>37,377,585</u>	<u>15,196,335</u>	<u>9,003,850</u>	<u>76,615,185</u>
Revaluation surplus realised on disposals			(166,727)	166,727	—
Excess depreciation on revalued property			(143,608)	143,608	—
Profit for the period				1,846,736	1,846,736
Dividend				(5,010,121)	(5,010,121)
At 31 December 1994	<u>15,037,415</u>	<u>37,377,585</u>	<u>14,886,000</u>	<u>6,150,800</u>	<u>73,451,800</u>

The revaluation reserve is regarded as a non-distributable reserve.

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 31 December 1994

### 19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

#### *Capital commitments*

	31 December 1994 £	31 January 1994 £
Contracted for but not provided in the accounts	15,349,191	10,976
Authorised by directors but not contracted for	13,268,288	2,165,661
	<u>28,617,479</u>	<u>2,176,637</u>

#### *Contingent liabilities*

A guarantee of £100,000 has been given by National Westminster Bank Plc in respect of claims from the Agricultural Intervention Board.

A further guarantee of £500,000 has been given by National Westminster Bank Plc in respect of claims from the Commissioners of Customs and Excise.

#### *Operating lease commitments*

At 31 December 1994 the company had annual commitments under non-cancellable operating leases for plant and machinery as set out below:

	31 December 1994 £	31 January 1994 £
Operating leases which expire:		
within one year	57,970	10,337
within two to five years	48,533	41,532
	<u>106,503</u>	<u>51,869</u>

### 20. PENSION ARRANGEMENTS

The company participates in two pension schemes. Contributions to the defined contribution scheme are charged to the profit and loss account as they become due in accordance with the scheme rules.

The defined benefit pension scheme is operated by a parent company, Smurfit Limited. The scheme is funded, under the advice of an independent qualified actuary, by the payment of contributions to a separately administered trust fund. Further details of the scheme are shown in the accounts of Smurfit Limited.

### 21. PARENT UNDERTAKING

The immediate parent undertaking is Townsend Hook Group Limited which is the parent of the smallest group for which group accounts are drawn up and of which the company is a member. Townsend Hook Group Limited is a company registered in England and Wales and copies of its accounts can be obtained from Companies House.

The company regards its ultimate parent company as being Jefferson Smurfit Group PLC, a company incorporated in Ireland. Jefferson Smurfit Group PLC is the parent of the largest group for which group accounts are drawn up and of which the company is a member. Copies of these group accounts can be obtained from Beech Hill, Clonskeagh, Dublin.