

# **Townsend Hook Limited**

## **Report and Accounts**

27 December 1999



# Townsend Hook Limited

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Registered No. 2284965

## **DIRECTORS**

B A Bisset  
M J Clayton  
N G Peen  
F D Warrell

## **SECRETARY**

J Hiscock

## **AUDITORS**

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

## **REGISTERED OFFICE**

2 The Beacons  
Beaconsfield Road  
Hatfield  
Herts  
AL10 8EQ

## **BANKERS**

National Westminster Bank Plc  
P O Box 237  
72-74 High Street  
Watford  
Herts WD1 2BQ

**DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 27 December 1999.

**RESULTS AND DIVIDENDS**

The company's profit on ordinary activities after taxation for the year was £1,879,576 (1998 - loss £1,322,864) after charging amortisation of goodwill of £nil (1998 - £4,358,876). The retained profit for the year, after taxation, has been transferred to reserves.

The directors do not recommend the payment of a final dividend.

**PRINCIPAL ACTIVITIES**

The principal activity of the company was paper-making. On 1 July 1999, the company's trade and its associated assets and liabilities were transferred to Smurfit UK Limited a fellow subsidiary. From that date the company has not traded. The remaining non-trading assets and liabilities of the company were transferred to Smurfit UK Limited on 1 December 1999.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

B A Bisset  
M J Clayton  
N G Peen  
F D Warrell

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

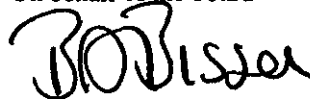
**CREDITOR PAYMENT POLICY**

The company policy on payments to suppliers is to pay according to the terms agreed, usually at the end of the month following the invoice date. The average creditor payment period at 31 December 1999 was 37 days.

**AUDITORS**

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

On behalf of the board



Director

12 JAN 2001

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 5 to 16, 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 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

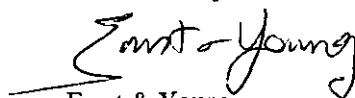
**Basis of opinion**

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 27 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

12 JAN 2001

# Townsend Hook Limited

## PROFIT AND LOSS ACCOUNT for the year ended 27 December 1999

	Notes	1999 £	1998 £
<b>TURNOVER</b>	2	34,100,074	73,137,548
Cost of sales		27,531,320	57,722,054
<b>GROSS PROFIT</b>		6,568,754	15,415,494
Other operating expenses	3	5,344,316	14,502,493
<b>OPERATING PROFIT</b>		1,224,438	913,001
Profit on disposal of the business		1,388,459	-
Interest receivable	5	593,119	2,481,420
Interest payable and similar charges	6	(1,326,440)	(4,649,504)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	1,879,576	(1,255,083)
Taxation	8	-	67,781
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES FOR THE YEAR</b>		1,879,576	(1,322,864)

There were no recognised gains or losses other than those dealt with in the profit and loss account.

## HISTORICAL COST PROFITS AND LOSSES for the year ended 27 December 1999

	1999 £	1998 £
<b>REPORTED PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	1,879,576	(1,255,083)
Realisation of property revaluation gains of previous years	13,565,531	40,009
Difference between historical cost depreciation charge and actual depreciation charge based on the revalued amount	110,820	221,640
<b>HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	15,555,927	(993,434)
<b>HISTORICAL COST PROFIT/(LOSS) RETAINED AFTER TAXATION</b>	15,555,927	(1,061,215)

# Townsend Hook Limited

## BALANCE SHEET

at 27 December 1999

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Intangible assets	9	-	43,197,552
Tangible assets	10	-	60,708,679
		<u>-</u>	<u>103,906,231</u>
<b>CURRENT ASSETS</b>			
Stocks	11	-	11,934,644
Debtors: amounts falling due within one year	12	-	14,630,728
Debtors: amounts falling due after more than one year	12	103,684,941	1,935,193
Cash at bank		-	895,749
		<u>103,684,941</u>	<u>29,396,314</u>
<b>CREDITORS: amounts falling due within one year</b>	13	-	28,025,066
		<u>103,684,941</u>	<u>1,371,248</u>
<b>NET CURRENT ASSETS</b>			
		<u>103,684,941</u>	<u>105,277,479</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>103,684,941</u>	<u>105,277,479</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	33,783,732	34,432,479
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	15	-	2,823,367
		<u>69,901,209</u>	<u>68,021,633</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	15,037,415	15,037,415
Share premium account	17	37,377,585	37,377,585
Revaluation reserve	17	-	13,676,351
Profit and loss account	17	17,486,209	1,930,282
		<u>69,901,209</u>	<u>68,021,633</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>69,901,209</u>	<u>68,021,633</u>

Approved by the board on

Director

*BAB*

12 JAN 2001

# Townsend Hook Limited

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## NOTES TO THE ACCOUNTS

at 27 December 1999

### 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.

#### *Cash flow statement*

Townsend Hook Limited is a wholly owned subsidiary of Jefferson Smurfit Group PLC which prepares publicly available consolidated accounts. Accordingly, the company itself is exempt from the requirement to prepare a cash flow statement.

#### *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.



NOTES TO THE ACCOUNTS

at 27 December 1999

1. ACCOUNTING POLICIES (continued)

*Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse.

Advance corporation tax which is expected to be recoverable in future is deducted from the deferred taxation balance. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

*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, and resulting gains or losses taken to the profit and loss account.

*Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account 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 the pre-tax result arise from the company's discontinued principal activity, all within Europe.

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 3. OTHER OPERATING EXPENSES

	1999	1998
	£	£
Distribution costs	2,354,222	4,877,141
Administration expenses	3,008,426	5,421,724
Amortisation of purchased goodwill	-	4,358,876
	<u>5,362,648</u>	<u>14,657,741</u>
Other operating income	(18,332)	(155,248)
	<u>5,344,316</u>	<u>14,502,493</u>

### 4. STAFF COSTS

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

	1999	1998
	£	£
Wages and salaries	5,349,403	11,614,662
Social security costs	454,840	1,000,415
Pension and other costs	408,029	972,273
Redundancy costs	-	161,867
	<u>6,212,272</u>	<u>13,749,217</u>

The number of persons employed by the company at 27 December 1999 was nil (1998 - 454).

(b) Directors' emoluments:

	1999	1998
	£	£
Emoluments	<u>153,050</u>	<u>267,891</u>
	<u>1999</u>	<u>1998</u>
	£	£
Company contributions paid to a defined benefit pension scheme	<u>19,670</u>	<u>36,607</u>
	<u>1999</u>	<u>1998</u>
	No.	No.
Members of defined benefit pension schemes	<u>4</u>	<u>4</u>

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 4. STAFF COSTS (continued)

The amounts in respect of the highest paid director are as follows:

	1999 £	1998 £
Emoluments	45,015	84,820

	1999 £	1998 £
Company contributions paid to a defined benefit pension scheme	5,580	10,431

One of the directors receives no remuneration from the company. He is remunerated as a director of a parent company and it is not possible to apportion his remuneration between his services as director of the company and of other group companies.

### 5. INTEREST RECEIVABLE

	1999 £	1998 £
Interest on group balances	592,980	2,409,687
Other	139	71,733
	<u>593,119</u>	<u>2,481,420</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
On group balances	894,880	3,172,864
Finance charges payable under finance leases with group company	3,000	341,077
Finance charges payable under invoice discounting	362,730	1,125,359
Other	65,830	-
	<u>1,326,440</u>	<u>4,649,504</u>

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 7. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	1999	1998
	£	£
Depreciation of owned tangible fixed assets	1,012,196	2,041,354
Depreciation of assets held under finance leases and hire purchase contracts	487,200	983,451
Amortisation of goodwill	-	4,358,876
Maintenance costs	2,442,290	5,096,509
Operating lease rentals - plant and machinery	224,351	518,339
Auditors' remuneration - audit fees	20,004	40,000
Rents receivable	(15,470)	(48,985)
Profit on sale of tangible fixed assets	-	(34,909)

### 8. TAXATION

	1999	1998
	£	£
Based on the profit for the period:		
Deferred taxation	-	301,956
Deferred taxation overprovided in previous years	-	(234,175)
	-	67,781

No corporation tax liability arises in the current year because group relief has been claimed from fellow subsidiaries for £nil consideration.

### 9. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost:	
At 28 December 1998	87,177,524
Amortisation:	
At 28 December 1998	43,979,972
Transfer to fellow subsidiary undertaking at 1 July 1999	(43,197,552)
Net book value:	
At 27 December 1999	-

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 10. 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 28 December 1998	22,117,765	64,002,644	228,852	86,349,261
Additions	-	-	834,830	834,830
Transfers	-	243,730	(243,730)	-
Transfers to parent company	(22,117,765)	(64,246,374)	(819,952)	(87,184,091)
At 27 December 1999	-	-	-	-
Depreciation:				
At 28 December 1998	2,075,797	23,564,785	-	25,640,582
Charge for the year	121,839	1,377,557	-	1,499,396
Transfers to parent company	(2,197,636)	(24,942,342)	-	(27,139,978)
At 27 December 1999	-	-	-	-
Net book value:				
At 27 December 1999	-	-	-	-
At 28 December 1998	20,041,968	40,437,859	228,852	60,708,679

Included in the amounts for plant and machinery above were assets in 1998 with a net book value of £10,817,800 held under finance leases.

Included in the net book value for land and buildings in 1998 was freehold land of £9,833,000 which was not being depreciated. This comprises mill land £9,414,400 plus cottages £418,600.

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:

	1998 £
At valuation	20,245,677
At cost	1,872,088
	<u>22,117,765</u>

	1999 £	1998 £
For land and buildings included at valuation:		
Historical cost	-	6,924,552
Accumulated depreciation based on cost	-	(558,935)
Net book value - historical cost	-	<u>6,365,617</u>

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 11. STOCKS

	1999	1998
	£	£
Raw materials and consumables	-	7,700,928
Work in progress	-	204,403
Finished goods and goods for resale	-	4,029,313
	<u>-</u>	<u>11,934,644</u>

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

### 12. DEBTORS

	1999	1998
	£	£
Amounts falling due within one year:		
Due from a parent company and fellow subsidiary undertakings	-	14,260,255
Other debtors	-	253,068
Corporation tax recoverable	-	-
Prepayments and accrued income	-	117,405
	<u>-</u>	<u>14,630,728</u>
Amounts falling due after more than one year:		
Due from a parent company and fellow subsidiary undertaking	103,684,941	1,935,193
	<u>103,684,941</u>	<u>16,565,921</u>

With effect from 1 November 1996, the company entered into an invoice discounting agreement with a fellow subsidiary undertaking, Smurfit Capital Limited, whereby that company acquired, without recourse, the trade debtors of the company as at that date and all subsequent trade debts.

### 13. CREDITORS: amounts falling due within one year

	1999	1998
	£	£
Trade creditors	-	2,497,325
Due to parent and fellow subsidiary undertakings	-	20,516,996
Obligations under finance leases with group company	-	24,725
Corporation tax	-	151,000
Other taxes and social security	-	555,447
Accruals and deferred income	-	3,822,126
Other creditors	-	457,447
	<u>-</u>	<u>28,025,066</u>

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 14. CREDITORS: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases with group company	-	47,216
Long-term loans from group companies	33,783,732	34,385,263
	<u>33,783,732</u>	<u>34,432,479</u>

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

### 15. DEFERRED TAXATION

	£
At 28 December 1998	2,823,367
Transfer to fellow subsidiary company (Smurfit UK Limited)	(2,823,367)
At 27 December 1999	<u>-</u>

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

	Provided 1999 £	Provided 1998 £	Not provided 1999 £	Not provided 1998 £
Capital allowances in advance of depreciation	-	8,690,415	-	380,822
Other timing differences	-	(5,867,048)	-	-
	<u>-</u>	<u>2,823,367</u>	<u>-</u>	<u>380,822</u>
Taxation on valuation surplus	-	-	-	1,700,518
	<u>-</u>	<u>2,823,367</u>	<u>-</u>	<u>2,081,340</u>

### 16. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
Ordinary shares of £1 each	16,000,000	16,000,000
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>15,037,415</u>	<u>15,037,415</u>

# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 17. 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 27 December 1997	15,037,415	37,377,585	13,938,000	2,991,497	69,344,497
Revaluation surplus realised on disposals	-	-	(40,009)	40,009	-
Excess depreciation on revalued property	-	-	(221,640)	221,640	-
Loss for the year	-	-	-	(1,322,864)	(1,322,864)
At 27 December 1998	15,037,415	37,377,585	13,676,351	1,930,282	68,021,633
Revaluation surplus realised on disposals	-	-	(13,676,351)	13,676,351	-
Profit for the year	-	-	-	1,879,576	1,879,576
At 27 December 1999	15,037,415	37,377,585	-	17,486,209	69,901,209

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

### 18. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	<i>1999 £</i>	<i>1998 £</i>
Amounts payable:		
within one year	-	29,407
in two to five years	-	51,334
	-	80,741
Less: finance charges allocated to future periods	-	8,800
	-	71,941



# Townsend Hook Limited

## NOTES TO THE ACCOUNTS

at 27 December 1999

### 19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

#### *Capital commitments*

	1999	1998
	£	£
Contracted for but not provided in the accounts	-	152,222
Authorised by directors but not contracted for	-	376,021
	<u>-</u>	<u>528,243</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 £1,000,000 has been given by National Westminster Bank Plc in respect of claims from the Commissioners of Customs and Excise.

#### *Operating lease commitments*

At 27 December 1999 the company had annual commitments under non-cancellable operating leases for plant and machinery as set out below:

	1999	1998
	£	£
Operating leases which expire:		
within one year	-	-
within two to five years	-	478,250
	<u>-</u>	<u>478,250</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 fellow subsidiary 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. ULTIMATE PARENT UNDERTAKING

The company regards its ultimate parent undertaking as being Jefferson Smurfit Group PLC, a company incorporated in the Republic of Ireland.

Jefferson Smurfit Group PLC is the parent undertaking of the smallest and 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.

### 22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in FRS 8 not to disclose transactions with entities that are part of the Jefferson Smurfit Group PLC group by virtue of its status as a 100% owned subsidiary of a parent whose accounts are consolidated and made publicly available.