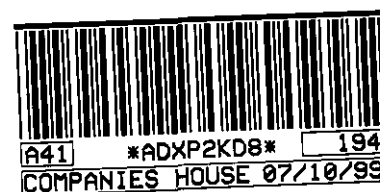


**INTERNATIONAL PAPER COMPANY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1998**

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<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the financial statements</b>	<b>7</b>



**Company number : 497043**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R.M. Amen  
D.E. Hatton  
R.D. McIntyre  
H.G. Fahner

**SECRETARY**

J.H. Bray

**REGISTERED OFFICE**

Manor House  
1 The Crescent  
Leatherhead  
Surrey

**BANKERS**

Royal Bank of Scotland  
9 Rubislaw Terrace  
Aberdeen

**SOLICITORS**

Ledingham Chalmers  
1 Golden Square  
Aberdeen

**AUDITORS**

Arthur Andersen  
Chartered Accountants  
18 Charlotte Square  
Edinburgh

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The business of the company was that of commission agent for its ultimate parent company and fellow subsidiary undertakings. The trade, assets and liabilities of the company were transferred to International Paper (Leeds) Limited, a fellow subsidiary undertaking, as part of a group reorganisation on 1 January 1998. The company is now non-trading.

## **RESULTS AND DIVIDENDS**

Results and recommended transfers to reserves are as follows:

	£
Retained profit at 1 January 1998	208,423
Profit for the year after taxation	<u>20,198</u>
Retained profit at 31 December 1998	<u>228,621</u>

The directors do not recommend the payment of a dividend (1997 - £Nil)

## **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year are as shown below.

R.M. Amen (USA)  
D.E. Hatton  
R.D. McIntyre (USA)  
H.G. Fahner

No director had any interest in the issued share capital of the company during the year.

Certain directors hold options to buy, or are registered holders of, shares in International Paper Company, the ultimate parent company, subject to the conditions of that company's share option scheme. The cost of this scheme is not borne by International Paper Company Limited.

## **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 for that year. 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.

## AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

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

A handwritten signature in black ink, appearing to be 'J.H. Bray', with a stylized flourish at the end.

J.H. Bray  
Secretary  
31 August 1999

## AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERNATIONAL PAPER COMPANY LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and accounting policies set out on pages 7 and 8.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
18 Charlotte Square  
Edinburgh  
EH2 4DF  
31 August 1999

	Note	1998 £	1997 £
<b>TURNOVER</b>	<b>2</b>	<u>~</u>	<u>363,733</u>
Net operating income/(expenses)	<b>3</b>	<u>20,198</u>	<u>(373,677)</u>
<b>OPERATING PROFIT</b>		20,198	(9,944)
Interest payable less receivable		<u>~</u>	<u>16,394</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>4</b>	20,198	6,450
Taxation	<b>6</b>	<u>~</u>	<u>~</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>11</b>	<u>20,198</u>	<u>6,450</u>

On 1 January 1998 the trade, assets and liabilities of the company were transferred to International Paper (Leeds) Limited. The results for the year have arisen from discontinued operations.

A statement of total recognised gains and losses is not presented, as there are no recognised gains or losses for the year other than the profit for the year.

The profit for the year equates to the historical cost profit for the year.

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

**INTERNATIONAL PAPER COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 1998**

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible Assets	7	~	74,559
<b>CURRENT ASSETS</b>			
Debtors	8	272,362	188,911
Cash at bank and in hand		~	290,638
		<u>272,362</u>	<u>479,549</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	(41,191)	(343,135)
<b>NET CURRENT ASSETS</b>		<u>231,171</u>	<u>136,414</u>
<b>NET ASSETS</b>		<u><u>231,171</u></u>	<u><u>210,973</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	10	2,550	2,550
Profit and loss account	11	228,621	208,423
<b>EQUITY SHAREHOLDERS FUNDS</b>	12	<u><u>231,171</u></u>	<u><u>210,973</u></u>

*These financial statements were approved by the Board of Directors on 31 August 1999*

*Signed on behalf of the Board of Directors*

  
D.E. Matton

Director

31 August 1999

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

## 1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are:

### Accounting convention

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

### Turnover

Turnover represents sales invoiced by the company, net of sales related taxes.

### Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

### Tangible Fixed Assets

Tangible fixed assets are shown at cost less accumulated depreciation.

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:

Leasehold improvements	Over the term of the lease
Office Machinery	5 years
Motor Vehicles	4 years
Fixtures and fittings	5 years

Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

### Cash Flow Statement

The company is exempt from the requirement of Financial Reporting Standard 1 to include a cash flow statement as part of its financial statements because it is a subsidiary of International Paper Company incorporated in New York, U.S.A. whose group accounts include a consolidated cash flow statement and are publicly available.

### Taxation

Corporation tax is provided on taxable profits at the current rate.

The company provides for deferred taxation using the liability method on timing differences, to the extent that it is probable that a liability will crystallise.

### Leases

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



#### **Pension Costs**

The company provides pensions and other benefits to employees through a defined benefit pension scheme, the assets of which are held in a separate fund by an independent trust.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of pensionable payroll over the estimated average remaining working life of scheme members.

#### **Related party transactions**

The company has taken advantage of the FRS 8 exemption from having to provide details of transactions with fellow group undertakings.

## 2. TURNOVER

The company's turnover is derived entirely from commission receivable from group undertakings and is based on operating expenditure incurred in the UK.

## 3. NET OPERATING INCOME/(EXPENSES)

Net operating income relates to the release of accruals during 1998.

All operating expenses were incurred in 1997 on acting as a commission agent for group undertakings.

## 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

	1998 £	1997 £
Depreciation	~	20,329
Other operating lease rentals	~	30,545
Auditors' remuneration	~	5,000
Staff costs	~	199,177

Auditors' remuneration in the current year has been borne by International Paper Group (UK) Limited, a fellow group undertaking.

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	1998 £	1997 £
Employee costs during the year:		
Wages and salaries	~	163,921
Social security costs	~	16,364
Other pension costs	~	18,892
	~	199,177

There were no persons employed by the company in 1998 (1997 - 5).

Directors' remuneration:

Directors' remuneration was paid in respect of directors of the company as follows:

	1998 £	1997 £
Emoluments	~	64,839

In 1997, one director was a member of the company's defined benefit pension scheme.

## 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation Tax at 31% (1997:31.5%)	~	10,600
Group tax losses received free of charge	~	(10,600)
	<u>~</u>	<u>~</u>

## 7 TANGIBLE FIXED ASSETS

	Leasehold improvements	Office machinery	Motor vehicles	Fixtures and fittings	Total
<b>Cost</b>					
At 1 January 1998	70,313	36,734	40,465	14,622	162,134
Transfer to group undertaking	(70,313)	(36,734)	(40,465)	(14,622)	(162,134)
At 31 December 1998	<u>~</u>	<u>~</u>	<u>~</u>	<u>~</u>	<u>~</u>
<b>Accumulated depreciation</b>					
At 1 January 1998	30,448	26,306	16,870	13,951	87,575
Transfer to group undertaking	(30,448)	(26,306)	(16,870)	(13,951)	(87,575)
At 31 December 1998	<u>~</u>	<u>~</u>	<u>~</u>	<u>~</u>	<u>~</u>
<b>Net book value</b>					
At 31 December 1998	<u>~</u>	<u>~</u>	<u>~</u>	<u>~</u>	<u>~</u>
At 31 December 1997	<u>39,865</u>	<u>10,428</u>	<u>23,595</u>	<u>671</u>	<u>74,559</u>

## 8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Amounts owed by other group undertakings	272,362	139,518
VAT	~	5,593
Prepayments and accrued income	~	43,800
	<u>272,362</u>	<u>188,911</u>

## 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Amounts owed to parent company	~	249,170
Amounts owed to other group undertakings	41,191	51,711
Other creditors		
- social security and PAYE	~	5,255
- other	~	2,286
Accruals and deferred income	~	34,713
	<u>41,191</u>	<u>343,135</u>

The amount owed to the parent company at 31 December 1997 was unsecured, non-interest bearing and had no fixed repayment date.

**10 CALLED-UP SHARE CAPITAL**

	1998 £	1997 £
<i>Authorised</i>		
3,000 Ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>
<i>Allotted, called-up and fully-paid</i>		
2,550 Ordinary shares of £1 each	<u>2,550</u>	<u>2,550</u>

**11 PROFIT AND LOSS ACCOUNT**

	1998 £
At 1 January 1998	208,423
Profit for the financial year	<u>20,198</u>
At 31 December 1998	<u><u>228,621</u></u>

**12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the financial year	20,198	6,450
Opening shareholders' funds	<u>210,973</u>	<u>204,523</u>
Closing shareholders' funds	<u><u>231,171</u></u>	<u><u>210,973</u></u>

**13 GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

***Capital commitments***

At the end of the year, the company had no capital commitments (1997 - £Nil)

***Contingent liabilities***

The company has jointly guaranteed the overdrafts of various fellow subsidiary undertakings. The directors are of the opinion that no liabilities on the guarantee will crystallise.

***Lease commitments***

The company has annual commitments in respect of operating leases for certain buildings expiring:

	1998 £	1997 £
After 5 years	<u>~</u>	<u>32,000</u>

***Pension arrangements***

All employees transferred to International Paper (Leeds) Ltd on 1 January 1998 and pension contributions to the International Paper U.K. Pension Fund are now paid through International Paper (Leeds) Ltd.

The pension charge for 1997 was £18,892.

#### **14. ULTIMATE PARENT COMPANY**

The ultimate parent company of International Paper Company Limited is International Paper Company, a company incorporated in New York, U.S.A.

The largest group of which International Paper Company Limited is a member and for which group accounts 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 registered office is at Unit 7A, Yeadon Airport Industrial Estate, Harrogate Road, Yeadon.