

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

International Paper Company Limited

Accounts 31 December 1995
together with directors' and auditors' reports

Registered number: 497043



Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1995.

Principal activities and business review

The principal activity of the company continues to be that of commission agent for its ultimate parent company and fellow subsidiary undertakings.

Turnover decreased by £28,230 (7.6%) during the year and profits for the year were £16,109.

The directors expect the general level of activity to be maintained in 1996.

Results and dividends

Results and recommended transfers to reserves are as follows:

	£
Retained profit at 1 January 1995	172,992
Profit for the year after taxation	16,109
Retained profit at 31 December 1995	<u>189,101</u>

The directors do not recommend the payment of a dividend (1994 - £Nil).

Directors and their interests

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

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

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 7 to the accounts.

Auditors

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

Directors' report (continued)

Directors' responsibilities

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.

By order of the Board,



J.H. Bray

Secretary

Manor House
1 The Crescent
Leatherhead
Surrey
KT22 8DH

2 July 1996

Auditors' report

Manchester

To the Shareholders of International Paper Company Limited:

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts and it is our responsibility to form an independent opinion, based on our audit, on those 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 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 company's state of affairs at 31 December 1995 and of its 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

Bank House
9 Charlotte Street
Manchester
M1 4EU

2 July 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	2	344,520	372,750
Operating expenses	3	(347,101)	(333,998)
Operating (loss) profit		(2,581)	38,752
Interest receivable and similar income		18,690	15,019
Profit on ordinary activities before taxation	4	16,109	53,771
Tax on profit on ordinary activities	6	-	-
Retained profit for the year		16,109	53,771
Retained profit at 1 January 1995		172,992	119,221
Retained profit at 31 December 1995		189,101	172,992

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the profit for the year.

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

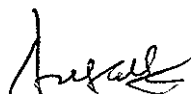
Balance sheet

31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	7	<u>70,348</u>	<u>86,249</u>
Current assets			
Debtors	8	158,699	126,532
Cash at bank and in hand		<u>326,850</u>	<u>292,665</u>
		485,549	419,197
Creditors: Amounts falling due within one year	9	<u>(364,246)</u>	<u>(329,904)</u>
Net current assets		<u>121,303</u>	<u>89,293</u>
Net assets		<u>191,651</u>	<u>175,542</u>
Capital and reserves			
Called-up share capital	10	2,550	2,550
Profit and loss account		<u>189,101</u>	<u>172,992</u>
Total capital employed		<u>191,651</u>	<u>175,542</u>

Signed on behalf of the Board

D.E. Hatton



Director

2 July 1996

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

Notes to accounts

31 December 1995

1 Accounting policies

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.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) 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.

c) Taxation

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

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. The amount of all deferred tax, including that which will probably not reverse, is shown in note 6c.

d) 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.

Notes to accounts (continued)

1 Accounting policies (continued)

e) 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.

f) Operating leases

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

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 Operating expenses

All operating expenses are incurred on acting as a commission agent for group undertakings.

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1995 £	1994 £
Depreciation	15,901	21,059
Other operating lease rentals	37,141	31,772
Auditors' remuneration	5,000	5,000
Staff costs (see note 5)	<u>181,528</u>	<u>178,265</u>

In addition, £2,150 (1994 - £3,625) was paid to the company's auditors for other services rendered during the year.

Notes to accounts (continued)

5 Staff costs

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

	1995 £	1994 £
Employee costs during the year amounted to:		
Wages and salaries	164,130	160,843
Social security costs	17,398	17,422
Other pension costs (see note 12d)	-	-
	<u>181,528</u>	<u>178,265</u>

The average weekly number of persons employed by the company during the year was 5 (1994 - 5).

Directors' remuneration:

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

	1995 £	1994 £
Other emoluments (including pension contributions)	<u>53,544</u>	<u>52,392</u>

The directors' remuneration shown above (excluding pension contributions) included:

	1995 £	1994 £
Highest paid director	<u>53,544</u>	<u>52,392</u>

No other director received any emoluments from the company in 1995 or 1994.

Notes to accounts (continued)

6 Tax on profit on ordinary activities

a) The tax charge is based on the profit for the year and comprises:

	1995 £	1994 £
Corporation tax at 33% (1994 - 33%)	11,004	24,488
Group tax losses received free of charge	(11,004)	(24,488)
	<u>-</u>	<u>-</u>

b) Had the company been providing the full amount of deferred taxation, the charge for the year would have been decreased as follows:

	1995 £	1994 £
Capital allowances	<u>1,638</u>	<u>2,988</u>

c) Deferred taxation

The full potential deferred tax asset is as follows:

	1995 £	1994 £
Excess of depreciation over tax allowances	(10,352)	(11,990)
Other timing differences	28,351	28,351
	<u>17,999</u>	<u>16,361</u>

The directors have chosen not to recognise the deferred tax asset on the grounds of prudence.

Notes to accounts (continued)

7 Tangible fixed assets

The movement in the year was as follows:

	Leasehold improvements £	Office machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
Beginning and end of year	70,313	22,129	36,518	13,819	142,779
Depreciation					
Beginning of year	15,503	21,014	9,506	10,507	56,530
Charge	4,982	683	9,004	1,232	15,901
End of year	20,485	21,697	18,510	11,739	72,431
Net book value					
Beginning of year	54,810	1,115	27,012	3,312	86,249
End of year	49,828	432	18,008	2,080	70,348

8 Debtors

The following are included in the net book value of debtors:

	1995 £	1994 £
Amounts falling due within one year:		
Amounts owed by other group undertakings	137,643	97,433
VAT	7,697	8,098
Prepayments and accrued income	13,359	21,001
	<u>158,699</u>	<u>126,532</u>

Notes to accounts (continued)

9 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1995 £	1994 £
Amounts owed to parent company	248,268	247,790
Amounts owed to other group undertakings	78,280	61,376
Other creditors		
- social security and PAYE	5,319	5,590
Accruals and deferred income	32,379	15,148
	<u>364,246</u>	<u>329,904</u>

The amount owed to the parent company is unsecured, non-interest bearing and has no fixed repayment date.

10 Called-up share capital

	1995 £	1994 £
<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 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Retained profit for the year	16,109	53,771
Shareholders' funds at beginning of year	<u>175,542</u>	<u>121,771</u>
Shareholders' funds at end of year	<u>191,651</u>	<u>175,542</u>

12 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, the company had no capital commitments (1994 - £Nil)

b) 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 guarantees will crystallise.

Notes to accounts (continued)

12 Guarantees and other financial commitments (continued)

c) *Lease commitments*

The company has entered into a non-cancellable operating lease in respect of certain buildings which expires in 2005.

The annual rental on this lease was £30,141 (1994 - £31,772). The rent payable under this lease is subject to renegotiation in 1998. The company pays all insurance, maintenance and repairs on this property.

The minimum annual rental under the foregoing lease is as follows:

	1995 £	1994 £
Operating leases which expire after 5 years	<u>32,000</u>	<u>32,000</u>

d) *Pension arrangements*

All employees of the company with at least one year's service are entitled to become members of the International Paper U.K. Pension Fund. This provides for defined benefits. The latest actuarial valuation of this fund, carried out on a going concern basis as at 5 April 1992, disclosed that at that date the fund was in surplus. In 1995 and 1994 the company made no contributions based on the advice of the actuaries. No adjustment has been made to account for pension costs under Statement of Standard Accounting Practice No. 24 since the amounts involved are not material to the accounts.

13 Cash flow statement

As permitted by Financial Reporting Standard No. 1, the company has not produced a cash flow statement, as it is a wholly-owned subsidiary undertaking of International Paper Holdings (U.K.) Limited, incorporated in Great Britain and registered in England and Wales which has produced a group cash flow statement in its accounts.

14 Ultimate parent company

The company is a subsidiary undertaking of International Paper Company, incorporated in the state of New York, USA.

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 Holdings (U.K.) Limited incorporated in Great Britain and registered in England and Wales, whose principal place of business is at Town Lane, Mobberley, Knutsford, Cheshire, WA16 7JL.