

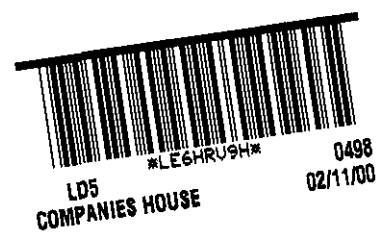
**INTERNATIONAL PAPER COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1999**

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Company number : 497043



OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

K.S. Lennox

REGISTERED OFFICE

Unit 7A
Yeadon Airport Industrial Estate
Harrogate Road
Yeadon

BANKERS

Royal Bank of Scotland
9 Rubislaw Terrace
Aberdeen

SOLICITORS

Ledingham Chalmers
1 Golden Square
Aberdeen

AUDITORS

Arthur Andersen
Chartered Accountants and Registered Auditors
18 Charlotte Square
Edinburgh

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The company did not trade in 1999.

The directors do not recommend the payment of a dividend (1998: £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) resigned 31 January 1999

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:

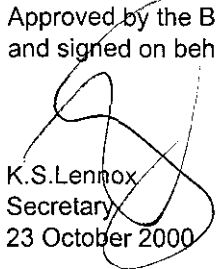
- ~ select suitable accounting policies and then apply them consistently;
- ~ make judgements and estimates that are reasonable and prudent;
- ~ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ~ 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



K.S. Lennox
Secretary
23 October 2000

Yeadon Airport Industrial Estate
Harrogate Road
Yeadon
Leeds LS19 7WP

AUDITORS' REPORT TO THE SHAREHOLDERS OF INTERNATIONAL PAPER COMPANY LIMITED

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

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

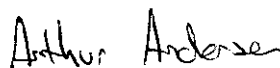
Basis of opinion

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 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 1999 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
23 October 2000

	Note	1999 £	1998 £
Net operating income/(expenses)	2	-	20,198
OPERATING PROFIT AND PROFIT FOR THE FINANCIAL YEAR	3	-	20,198

On 1 January 1998 the trade, assets and liabilities of the company were transferred to International Paper (Leeds) Limited. The results for the year 1998 arose from discontinued operations. The company did not trade in 1999.

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 both years equates to the historical cost profit for those years.

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


INTERNATIONAL PAPER COMPANY LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 1999

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	Note	1999 £	1998 £
CURRENT ASSETS			
Debtors	5	231,171	272,362
		<u>231,171</u>	<u>272,362</u>
CREDITORS: Amounts falling due within one year	6	-	(41,191)
NET ASSETS		<u>231,171</u>	<u>231,171</u>
CAPITAL AND RESERVES			
Called up equity share capital	7	2,550	2,550
Profit and loss account	8	228,621	228,621
EQUITY SHAREHOLDERS' FUNDS		<u>231,171</u>	<u>231,171</u>

These financial statements were approved by the Board of Directors on 23 October 2000.

Signed on behalf of the Board of Directors


D.E. Hatton

Director

23 October 2000

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.

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.

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. NET OPERATING INCOME

Net operating income in 1998 relates to the release of accruals in that year.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no persons employed by the company in either year.
 The directors received no remuneration from the company in either year.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Amounts owed by other group undertakings	<u>231,171</u>	<u>272,362</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Amounts owed to other group undertakings	<u>-</u>	<u>41,191</u>

7. CALLED-UP SHARE CAPITAL

	1999 £	1998 £
<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>

8. PROFIT AND LOSS ACCOUNT

	£
At 31 December 1998 and 1999	<u>228,621</u>

9. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

As at 31 December 1999 and 31 December 1998 there were no capital commitments.

10. 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.