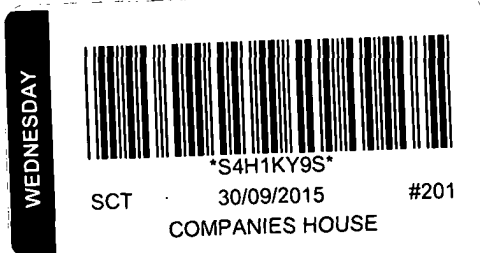
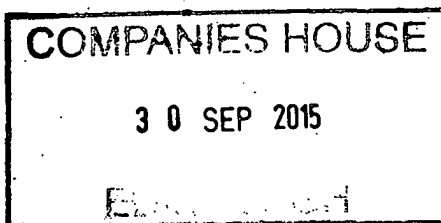


**Company Registration No. SC004787**

**International Paper (UK) Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2014**



# **International Paper (UK) Limited**

## **Annual report and financial statements as at 31 December 2014**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Statement of recognised gains and losses</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **International Paper (UK) Limited**

## **Annual report and financial statements as at 31 December 2014**

### **Officers and professional advisers**

#### **Directors**

Ian Young  
Dominic Turnbull

#### **Company Secretary**

Helen Dickinson

#### **Registered Office**

Office 2 Crichtonbank Business Centre  
Mill Road, Port Elphinstone  
Inverurie  
AB51 5NQ

#### **Bankers**

The Royal Bank of Scotland plc  
280 Bishopsgate  
London  
EC2M 4AA

#### **Solicitors**

Brodies LLP  
15 Atholl Crescent  
Edinburgh  
EH3 8HA

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Union Plaza  
1 Union Wynd  
Aberdeen  
United Kingdom

# International Paper (UK) Limited

## Strategic Report

The directors, in preparing this Strategic Report, have complied with S414C of the Companies Act 2006.

### Principal activity

The principal activity of the company is the sale of business communication and printing papers and other fibre-based products.

### Strategy and business model

International Paper (UK) Limited aims to provide to its customers a broad portfolio of papers for a multitude of uses and applications for the office and commercial printing. The company distributes paper in UK and Ireland market and employs 12 people.

The company buys paper from related International Paper "IP" companies in Brazil, US, France and Russia and works on distributing them across above mentioned markets with experienced professionals.

### Review of the business and results

The directors are satisfied with the performance of the company and its financial position at 31 December 2014. Turnover for the year was £67,786k compared to £68,345k in 2013. Operating profit decreased to £542k compared with £632k in 2013. This was due to lower margins despite higher volumes.

### Key performance indicators

Key performance indicators relevant to the company are shown below.

	2014 000's	2013 000's
Turnover	£67,786	£68,345
Operating profit	£542	£632
Profit on ordinary activities before taxation	£2,960	£2,840
Average number of employees	12	12

### Principal risk and uncertainties

The directors believe that the principal strategic risks and market uncertainties would include:

- Paper substitution aggravating market demand; and
- Loss of contracts to competing businesses.

The declining demand for paper is mitigated with a strategy focused on printing papers as a core business. The company is a limited risk distributor buying products from related IP companies and earning a stable return on sales.

The company is focused on maintaining good customer services and a stable supply of quality products. Customer services rely on an effective and efficient supply chain and distribution model to satisfy customer expectations on lead time, schedule adherence etc. Product quality is built on a stable and reliable source of supply controlled by International Paper, as well as providing a broad product range.

The management team and Board monitor these risks on a continual basis.

# **International Paper (UK) Limited**

## **Strategic Report (continued)**

### **Future developments**

The directors believe that trading results will reflect the combination of lower margins and stable volume.

### **Financial risk management.**

The company's operations expose it to a variety of financial risks that include credit, currency and liquidity risks. The company has a risk management programme in place that seeks to mitigate the risks in these areas.

#### ***Credit risk***

The company's activities expose it primarily to credit risk. The company's principal financial assets are bank balances, trade receivables and inventory.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has established procedures that require appropriate credit checks on potential customers. The amount of exposure to any individual customer is reassessed on a regular basis.

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with credit-ratings assigned by recognised credit-rating agencies.

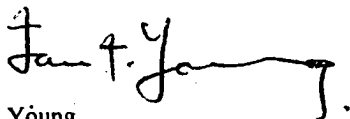
#### ***Currency risk***

The financial risks of changes in foreign currency exchange rates are limited. The company monitors its exposure; at this time no financial instruments are employed to hedge the exposure.

#### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for its ongoing operations and future development, the company uses a mixture of funds from on-going trading activities and cash pooling.

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



Ian Young  
Director

30 September 2015

## International Paper (UK) Limited

### Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2014.

#### Directors

The present membership of the board is set out on page 1.

The directors who served during the year and to the date of this report, are as follows:

Olivier Gazengel (resigned 30 September 2014)  
Dominic Turnbull (appointed 30 September 2014)  
Ian Young

#### The Environment

The company is fully compliant with national legislation, and has its own environmental policy and targets to meet. This results in a policy that is in our opinion at least as strict as national legislation. We are prepared to confirm our environmental performance and we undertake a regular environmental audit monitored by International Paper audit teams.

#### Auditor

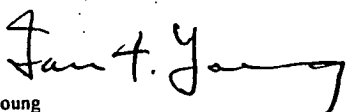
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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



Ian Young  
Director

30 September 2015

## **International Paper (UK) Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of International Paper (UK) Limited**

We have audited the financial statements of International Paper (UK) Limited for the year ended 31 December 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditor's report to the members of International Paper (UK) Limited**

### **Matters on which we are required to report by exception**

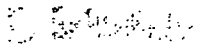
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Graham Hollis ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Aberdeen, United Kingdom

30 September 2015



## International Paper (UK) Limited

### Profit and loss account Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Turnover</b>	2	67,786	68,345
Changes in stocks of finished goods		(34)	(491)
Raw materials and consumables		(60,619)	(61,588)
Staff costs	3	(2,006)	(2,291)
Other operating charges		(4,585)	(3,343)
<b>Operating profit</b>		542	632
(Loss)/gain on disposal of fixed assets		(50)	13
Interest receivable and similar income	4	2,474	2,198
Interest payable and similar charges	4	(6)	(3)
<b>Profit on ordinary activities before taxation</b>	5	2,960	2,840
Tax on profit on ordinary activities	6	-	(40)
<b>Profit for the financial year</b>	14, 15	2,960	2,800

All of the results in the current and prior year are derived from continuing operations.

### Statement of total recognised gains and losses Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year	14, 15	2,960	2,800
Actuarial loss relating to the pension scheme	16	(7,720)	(3,361)
<b>Total recognised losses for the year</b>		(4,760)	(561)

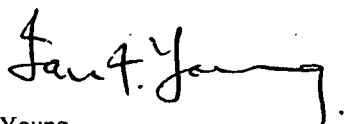
# International Paper (UK) Limited

## Balance sheet As at 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	7	487	487
<b>Current assets</b>			
Stocks	8	7,659	7,804
Debtors	9	27,101	26,620
		34,760	34,424
<b>Creditors: amounts falling due within one year</b>	10	(11,454)	(9,554)
<b>Net current assets</b>		23,306	24,870
<b>Total assets less current liabilities</b>		23,793	25,357
<b>Liabilities falling due in more than one year</b>	11	(107)	(64)
<b>Provisions for liabilities</b>	12	(200)	(200)
<b>Net assets excluding pension liability</b>		23,486	25,093
<b>Pension liability</b>	16	(6,205)	(3,052)
<b>Net assets including pension liability</b>		17,281	22,041
<b>Capital and reserves</b>			
Called-up share capital	13	11,718	11,718
Profit and loss account	14	5,563	10,323
<b>Shareholders' funds</b>	15	17,281	22,041

The financial statements of International Paper (UK) Limited, company number SC004787, were approved by the Board of Directors and authorised for issue on 30 September 2015.

Signed on behalf of the Board of Directors



Ian Young  
Director

# **International Paper (UK) Limited**

## **Notes to the financial statements Year ended 31 December 2014**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

#### **Going concern**

The company's principal risks and uncertainties are discussed in the Strategic Report. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Turnover**

Turnover represents the amounts invoiced net of trade discounts, rebates and value added tax, in respect of goods which have been delivered to customers during the year.

#### **Tangible fixed assets**

Tangible fixed assets consist of freehold land which is not depreciated.

#### **Stocks**

Stocks are stated in the balance sheet at the lower of cost and net realisable value. Cost includes direct materials and transport costs. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items, where appropriate.

#### **Foreign currency assets and liabilities**

Transactions denominated in foreign currencies are translated into pounds Sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. 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.

#### **Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation liabilities of group undertakings are reduced wholly or in part by the surrender of losses by other group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the claimant undertaking.

Deferred tax is recognised in respect of all timing differences that have originated but have not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 1. Accounting policies (continued)

##### Leases

Operating lease rentals are charged to the profit and loss account evenly over the lease period.

##### Pension costs

For defined benefit schemes the amounts charged to the operating loss are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financing costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The assets of the scheme are held separately from those of the company in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit scheme asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

##### Related party transactions

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

##### Cash flow statement

As permitted by FRS1 "Cash flow statement" (revised 1996), no cash flow statement has been prepared as the company is a wholly owned subsidiary of International Paper Company, the parent undertaking which is incorporated in New York, USA, whose group financial statements include the company and are publicly available (note 18).

##### Consolidated financial statements

Under the provisions of section 400 and 401 of the Companies Act 2006, no consolidated financial statements have been prepared as the results of International Paper (UK) Limited and its subsidiaries are included within the consolidated financial statements of its ultimate parent company, International Paper Company, incorporated in New York USA, whose financial statements are publicly available (note 18). Information in these financial statements is therefore presented for the individual company rather than for the group.

#### 2. Turnover

The directors are of the opinion that turnover is derived from one class of business being the sale of business communication and printing papers.

	2014 £'000	2013 £'000
Geographical markets supplied:		
United Kingdom	64,965	65,583
Rest of the world	2,821	2,762
	<u>67,786</u>	<u>68,345</u>

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 3. Information regarding directors and employees

a) Employment costs of all employees (including executive directors) were as follows:

	2014 £'000	2013 £'000
Wages and salaries	1,225	1,347
Social security costs	146	138
Pension costs – current service cost of company scheme (note 16)	635	806
	<u>2,006</u>	<u>2,291</u>

b) The average monthly number of persons employed by the company (including executive directors) during the year is analysed below:

	2014 Number	2013 Number
Administration and marketing	<u>12</u>	<u>12</u>

c) Directors' remuneration

One of the directors who served during the year (2013: 1) was remunerated by another group undertaking. The directors do not consider it practical to meaningfully estimate the proportion of their remuneration that relates to their services as directors of the company.

The other director received remuneration of £102,208 (2013: £98,692) which was recharged to another group undertaking.

In the current and prior year the company made pension contributions in respect of a director which were recharged to another group company.

There were no amounts receivable by the directors under long term incentive schemes (2013: £nil).

Although there is SBP transactions, no separate disclosure is made due to amounts being immaterial.

d) Pensions

One of the directors who served during the year (2013: 1) was a member of a defined benefit pension scheme.

#### 4. Interest

	2014 £'000	2013 £'000
<b>Interest receivable and similar income</b>		
Interest receivable from group companies	377	481
Other finance income – net pension scheme finance income (note 16)	2,097	1,717
	<u>2,474</u>	<u>2,198</u>
 <b>Interest payable and similar charges</b>		
Finance lease and other interest payable to group companies	<u>(6)</u>	<u>(3)</u>

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 5. Profit on ordinary activities before taxation:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Fees payable to the company's auditor for the audit of the company's annual accounts	44	43
Loss/(gain) on disposal of fixed assets	50	(13)
Loss on foreign exchange	56	37

Included in fees payable to the company's auditor are amounts payable in relation to the audit of group entities International Paper Group (UK) Limited and International Paper Company Limited.

#### 6. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current taxation		
Current year	-	-
Prior year	-	40
Total current tax	-	40
Deferred taxation		
Current year	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	40

The standard rate of tax, based on the UK standard rate of corporation tax is 21.50% (2013: 23.25%). The charge for the year can be reconciled to the tax on the loss at the standard rate as follows:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	2,960	2,840
Tax on profit on ordinary activities at standard rate	636	660
<b>Factors affecting charge for the year:</b>		
Permanent differences	38	88
Capital allowances less than depreciation	-	(168)
Movement in short term timing differences	(1,114)	(828)
Prior year adjustment	-	40
Losses carried forward	439	357
Effects of other tax rates/credits	-	(109)
Current tax charge for the year	-	40

# International Paper (UK) Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 6. Tax on profit on ordinary activities (continued)

At 31 December 2014 the company had an unrecognised total deferred tax asset of £10,418,502 (2013: £8,980,626) relating to losses carried forward and capital allowance timing differences. No deferred tax asset has been recognised in the financial statements as at 31 December 2014 as there is insufficient evidence that the asset will be recovered in the foreseeable future.

The Finance Act 2012 enacted two corporation tax rate changes: to 21% from 1 April 2014 to 31 March 2015 and to 20% from 1 April 2015. In July 2015, the UK government announced further rate reductions to the UK corporation tax rate from 20% to 19% in 2017 - 2019 and to 18% in 2020 but were not substantively enacted at the balance sheet date. These rate changes will affect the size of the company's balance sheet deferred tax assets and liabilities in the future. The deferred tax asset as at 31 December 2014 has been calculated at the enacted tax rate of 20%.

### 7. Tangible fixed assets

	Freehold land and buildings £'000	Total £'000
Cost and net book value		
At 31 December 2014 and 31 December 2013	487	487

The net book value of land and buildings comprises freehold land with a cost of £487,000 (2013: £487,000), which is not depreciated.

### 8. Stocks

	2014 £'000	2013 £'000
Finished goods	7,659	7,804

The replacement cost of stock is not materially different to its balance sheet value.

### 9. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	9,141	9,923
Amounts owed by other group companies	17,280	15,527
Other debtors	550	1,100
Prepayments and accrued income	101	41
Corporation Tax	29	29
	27,101	26,620

Amounts owed by group undertakings include £2,973,535 of cash held on behalf of the company which is repayable on demand, reflecting that it is part of a group cash pooling arrangement (2013: £6,297,505).

No other debtors are due in more than one year (2013: £550,000)



## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	2,712	2,396
Amounts owed to other group companies	6,435	5,367
Other taxation and social security	1,113	769
Accruals and deferred income	1,134	632
Bank overdraft	60	454
	<u>11,454</u>	<u>9,618</u>

#### 11. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Accruals	107	64
	<u>107</u>	<u>64</u>

#### 12. Provisions for liabilities

	£'000
Reorganisation provision	
At 1 January 2014 and 31 December 2014	<u>200</u>

The company continues to provide for estimated remediation costs on a leased property. The provision is expected to be utilised at the termination of the lease in 2023.

#### 13. Called-up share capital

	2014 £'000	2013 £'000
Allotted, called-up and fully paid		
11,718,261 ordinary shares of £1 each (2013: 11,718,261 ordinary shares of £1 each)	<u>11,718</u>	<u>11,718</u>

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 14. Reserves

	Profit and loss account £000	Total £000
At 31 December 2013	10,323	10,323
Profit for the financial year	2,960	2,960
Actuarial loss relating to the pension scheme (note 16)	(7,720)	(7,720)
At 31 December 2014	5,563	5,563

#### 15. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	2,960	2,800
Other recognised gains and losses relating to the year (net)	(7,720)	(3,361)
Dividends (note 17)	-	(10,000)
Net reduction to shareholders' funds	(4,760)	(10,561)
Opening shareholders' funds	22,041	32,602
Closing shareholders' funds	17,281	22,041

#### 16. Pension scheme

The company operates the Thomas Tait & Sons Limited 1988 Pension Scheme, a funded defined benefit pension scheme. A full actuarial valuation was carried out at 5 April 2012, and updated to 31 December 2014 by a qualified independent actuary. The present value of the deferred benefit obligation, the related current service cost and past service cost were measured using the projected credit method. The major assumptions used by the actuary were:

	2014 %	2013 %
<b>Assumptions – 31 December</b>		
Discount rate	3.60	4.30
Inflation	3.20	3.50
Expected return on scheme assets	7.25	7.50
Rate of revaluation of deferred pensions in excess of the guaranteed minimum pension	2.20	2.50
Rate of increase on salaries	4.20	4.50
Rate of increase in pensions accrued post 5 April 1997	3.10	3.40

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 16. Pension scheme (continued)

	Year	
	2014	2013
<b>Mortality assumptions – life expectancy on retirement</b>		
Pensioners – male	21.0	21.2
Pensioners – female	23.3	23.5
Non-pensioners – male	23.2	23.3
Non-pensioners – female	25.6	25.8

The valuation includes a reasonable estimate of mortality and assumptions are consistent with those used in the actuarial valuation at 31 December 2014.

The assets in the scheme and the expected rate of return were:

Asset	Long term rate of return expected at 31 December		Value at 31 December	
	2014 %	2013 %	2014 £'000	2013 £'000
Equities	8.80	8.80	9,363	20,789
Bonds – fixed interest Government	3.60	3.60	6,363	6,604
Bonds – fixed interest Corporate	4.40	4.40	9,260	9,917
Bonds – index linked	n/a	3.60	1,228	-
Other	7.80	7.80	52,559	35,885
<b>Total market value of assets</b>			<b>78,773</b>	<b>73,195</b>

The balance sheet position for the company's scheme as calculated under FRS 17 at 31 December 2014 was as follows:

	2014 £'000	2013 £'000
Fair value of assets	78,773	73,195
Present value of scheme liabilities	(84,978)	(76,247)
<b>Liability</b>	<b>(6,205)</b>	<b>(3,052)</b>

At 31 December 2014 the company had an unrecognised deferred tax asset of £1,241,000 (2013: £623,633) relating to the pension deficit. The current year and the prior year deferred tax asset has not been recognised as there is insufficient evidence that the asset will be recovered in the foreseeable future.

	2014 £'000	2013 £'000
<b>Amounts charged to operating profit:</b>		
Current service cost (note 3a)	635	806

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 16. Pension scheme (continued)

	2014 £'000	2013 £'000
<b>Amounts included as other finance income/(charges):</b>		
Expected return on scheme assets	5,343	4,737
Interest cost on scheme liabilities	(3,246)	(3,020)
Net finance credit (note 4)	<u>2,097</u>	<u>1,717</u>
	2014 £'000	2013 £'000
<b>Amounts recognised in the statement of total recognised gains and losses:</b>		
Actual return less expected return on pension scheme assets	(665)	3,314
Experience (losses)/gains arising on scheme liabilities	(62)	2,290
Changes in assumptions underlying the present value of the scheme liabilities	(6,993)	(8,965)
Actuarial loss	<u>(7,720)</u>	<u>(3,361)</u>
Actuarial loss recognised in the STRGL	<u>(7,720)</u>	<u>(3,361)</u>
Cumulative amount recognised	<u>(27,653)</u>	<u>(19,933)</u>
2014 contribution rates to the scheme are:		
Employer	20.9%	20.9%
Employees	8.3%	8.3%
<b>Movements in the present value of the scheme assets were as follows:</b>		
	2014 £'000	2013 £'000
Assets at start of period	73,195	64,569
Expected return on assets	5,343	4,737
Actuarial gains	(665)	3,314
Employer contributions	3,105	2,649
Employee contributions	67	65
Benefits paid	<u>(2,272)</u>	<u>(2,139)</u>
Assets at end of period	<u>78,773</u>	<u>73,195</u>
Actual return on scheme assets	<u>(4,678)</u>	<u>(8,051)</u>

## International Paper (UK) Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 16. Pension scheme (continued)

Movements in the present value of defined benefit obligations were as follows:

	2014 £'000	2013 £'000
Liabilities at start of period	76,247	67,820
Current service cost	635	806
Interest cost	3,246	3,020
Employee contributions	67	65
Actuarial losses	7,055	6,675
Benefits paid	(2,272)	(2,139)
Liabilities at end of period	84,978	76,247

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
<b>Five year history</b>					
Difference between expected and actual return on scheme assets:					
Amount	(665)	3,314	3,366	(5,523)	4,919
Percentage of scheme assets	0.8%	4.5%	5.2%	9.7%	8.4%
Experience gains and losses on scheme liabilities					
Amount	(62)	2,290	(523)	(104)	(332)
Percentage of scheme liabilities	0.1%	3.0%	0.8%	0.2%	0.6%
Scheme assets	78,773	73,195	64,569	56,993	58,256
Scheme liabilities	(84,978)	(76,247)	(67,820)	(62,657)	(57,987)
(Deficit)/surplus in the scheme	(6,205)	(3,052)	(3,251)	(5,664)	269

#### 17. Dividends

	2014 £'000	2013 £'000
Final dividend	-	10,000

## **International Paper (UK) Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2014**

#### **18. Ultimate parent company and controlling party**

The directors regard International Paper Company, a company incorporated in the state of New York, USA as the ultimate parent company and ultimate controlling party. The immediate parent company is International Paper Group (UK) Limited whose registered office is at Units 10 and 11 Navigation Park, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RL.

The largest group of which International Paper (UK) Limited is a member and for which group financial statements are drawn up is that headed by International Paper Company, whose principal place of business is at 6400 Poplar Avenue, Memphis, Tennessee 38197, USA. The smallest such group is headed by International Paper Group (UK) Limited.