



MONDI PAPER FINANCE (UK) LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1997

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**OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

D A Hathorn
F K J Jackson (appointed 26 October 1998)
A F Pace-Bonello (resigned 18 July 1997)
G J Perrins
A J Trahar
G A Wilkinson (resigned 18 July 1997)

SECRETARY

C A Wentzel

REGISTERED OFFICE

40 Holborn Viaduct
London EC1N 2PQ

BANKERS

Hambros Bank Limited
41 Tower Hill
London
EC3N 4HA

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

ACTIVITIES AND RESULTS

The company has an investment in and has obtained loans to fund an advance to Mondi Paper (U.K.) Limited to finance that company's investment in Aylesford Newsprint Holdings Limited.

The company expects to continue these activities.

The profit for the financial year was £50,622 (1996 - loss of £5,681).

SIGNIFICANT EVENTS

As part of a restructure of the international paper, pulp and packaging interests of Mondi Limited ("Mondi"), Minorco and Anglo American Corporation of South Africa Limited ("AAC"), the following events occurred between 27 February 1997 and 4 March 1997.

1. The authorised share capital of the company was increased to £66,625, divided into 50,000 ordinary shares of £1 each and 1,662,500 income shares of 1 pence each, and the Articles of Association of the company were amended to incorporate the rights attaching to the different classes of shares.
2. The company acquired the remaining 95% of the issued shares of Mondi Paper (U.K.) Limited, together with a loan receivable from Mondi Paper (U.K.) Limited and the assumption of an identical liability to Mondi Minorco Paper Luxembourg Finance, with the result that Mondi Paper (U.K.) Limited became a wholly owned subsidiary of the company.
3. As a result of the acquisition of the remaining shares of Mondi Paper (U.K.) Limited and the exercise of conversion rights under a convertible debenture issued by the company as consideration therefore, 47,500 ordinary shares and all the income shares of the company were issued to Minorco Finance (U.K.) PLC and 1,500 ordinary shares were issued to Mondi European Holdings Limited.
4. The company became a wholly owned subsidiary of Mondi Minorco Paper International, which in turn is a wholly owned subsidiary of Mondi Minorco Paper, the new holding company for the said paper, pulp and packaging interests of Mondi, Minorco and AAC. The company's ultimate parent is now Minorco, a Société Anonyme incorporated in Luxembourg.

DIRECTORS AND THEIR INTERESTS

The directors referred to on page 1 served throughout the year (except as shown) and no other person was appointed a director during the year or since the year end.

None of the directors had any interests in the shares of the company or of any other group company during the year other than Mr G A Wilkinson who held one share in the company (non-beneficially).

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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

C A Wentzel
Secretary

30 October 1998

STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the company 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; and
- prepare the financial statements on a 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 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.



Chartered Accountants

Deloitte & Touche
Hill House
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London EC4A 3TR

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MONDI PAPER FINANCE (UK) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. 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 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 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 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 the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

30.10 1998

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	1997 £	1996 £
Administrative expenses		(5,266)	(7,026)
OPERATING LOSS	3	(5,266)	(7,026)
Income from fixed asset investments		1,993,946	378,441
Interest receivable and other income		99,113	13,521
Interest payable and similar charges	4	(2,037,171)	(390,617)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		50,622	(5,681)
Tax on profit/(loss) on ordinary activities	5	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		50,622	(5,681)
Retained profit/(loss) for the financial year		50,622	(5,681)
Loss brought forward		(47,131)	(41,450)
Retained profit/(loss) carried forward		3,491	(47,131)

All results derive from continuing activities.

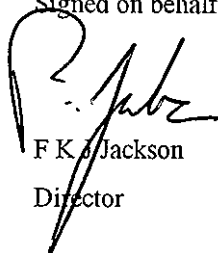
There are no recognised gains or losses for the current and preceding years other than as stated above.

BALANCE SHEET
Year ended 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Investments	6	33,271,076	5,610,305
CURRENT ASSETS			
Debtors	7	2,500,574	720
Cash at bank and in hand		8,369	437,062
		2,508,943	437,782
CREDITORS: amounts falling due within one year	8	(2,504,457)	(2,938)
NET CURRENT ASSETS		4,486	434,844
TOTAL ASSETS LESS CURRENT LIABILITIES		33,275,562	6,045,149
CREDITORS: amounts falling due after more than one year			
Loans	9	-	(6,091,280)
TOTAL NET ASSETS/(LIABILITIES)		33,275,562	(46,131)
CAPITAL AND RESERVES			
Called up share capital	10	66,625	1,000
Share premium account	11	33,205,446	-
Profit and loss account		3,491	(47,131)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		33,275,562	(46,131)

These financial statements were approved by the Board of Directors on 30 October 1998.

Signed on behalf of the Board of Directors


F K Jackson
Director



MOVEMENT IN EQUITY SHAREHOLDERS FUNDS

Year ended 31 December 1997

	1997	1996
	£	£
Profit for the financial year	50,622	(5,681)
New share capital subscribed	33,271,071	-
Net movement in equity shareholders funds	33,321,693	(5,681)
Opening equity shareholders funds	(46,131)	(40,450)
	<u>33,275,562</u>	<u>(46,131)</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (1996: nil) and no emoluments were paid to the directors in respect of their services to the company (1996: £nil).

3. OPERATING LOSS

	1997	1996
	£	£
Operating loss is after charging		
Auditors' remuneration - audit services	1,500	1,838

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
Bank loans	43,225	147,002
Other loans repayable	1,993,946	243,615
	<u>2,037,171</u>	<u>390,617</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
5. TAX ON LOSS ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax at 31% (1996 : 33%) based on the profit/(loss) for the year	-	-

The tax charge is £nil for both the current and preceding years as a result of losses brought and carried forward.

6. FIXED ASSET INVESTMENTS

	Shares and other investments £	Loans £	Total £
At 1 January 1997	5	5,610,300	5,610,305
Additions	33,271,071	-	33,271,071
Repayments	-	(5,610,300)	(5,610,300)
At 31 December 1997	33,271,076	-	33,271,076

The shares represent a 100% holding of the ordinary share capital of Mondi Paper (U.K.) Limited, following the acquisition of the remaining 95% on 28 February 1997. Mondi Paper (U.K.) Limited is incorporated in Great Britain and is an investment holding company, holding an investment in Aylesford Newsprint Holdings Limited.

Group accounts have not been prepared as the company is a wholly owned subsidiary of Mondi Minorco Paper International, who in turn is a wholly owned subsidiary of Mondi Minorco Paper, which is incorporated within the European Community. The company's ultimate parent company remains Minorco Société Anonyme, which is incorporated in the European Union.

7. DEBTORS

	1997 £	1996 £
Amounts owed by subsidiary undertaking	2,500,574	-
Prepayments and accrued income	-	720
	2,500,574	720

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Amounts owed to immediate parent company	2,500,575	-
Other creditors	3,882	2,938
	2,504,457	2,938


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
9. LOANS

	1997	1996
	£	£
Wholly repayable between two and five years:		
Bank loans	-	2,097,665
Other loans	-	3,993,615
	<u>-</u>	<u>6,091,280</u>

The other loans represented loans from Minorco Société Anonyme, which were repaid in the current year.

10. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised		
50,000 (1996 - 1,000) ordinary shares of £1 each	50,000	1,000
1,662,500 (1996 - nil) income shares of £0.01 each	16,625	-
Allotted, issued and fully paid		
Ordinary shares of £1 each		
At 1 January	1,000	1,000
Allotted and issued during the year	<u>49,000</u>	<u>-</u>
At 31 December	50,000	1,000
Income shares of £0.01 each		
At 1 January	-	-
Allotted and issued during the year	<u>16,625</u>	<u>-</u>
At 31 December	<u>16,625</u>	<u>-</u>
Total allotted, issued and fully paid	<u>66,625</u>	<u>1,000</u>

During the year, 47,500 £1 ordinary shares and 1,662,500 £0.01 income shares were issued upon the exercise of conversion rights under a convertible debenture issued by the company as consideration for the acquisition of the remaining 95% of the issued share capital, including share premium, of Mondi Paper (U.K.) Limited. This transaction gave rise to £33,205,446 being credited to the share premium account. In addition, 1,500 £1 ordinary shares were issued for cash at par.

The holders of the Income Shares may elect to receive dividends on the Income Shares in lieu of payment of dividends on the Related Parent Preference Shares, which represent a Class 'B' Preference Share of US\$10.00 in Mondi Minorco Paper S.A.

On a winding up of the company, holders of the Income Shares shall be entitled only to repayment of the amount paid up on the Income Shares and then only after repayment to holders of other classes of shares in the company. The Income Shares shall have no further right to participate in the surplus assets of the company.

The holders of the Income Shares shall not be entitled to receive notice of or to attend or vote at any General meeting of the company.


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
11. SHARE PREMIUM ACCOUNT

	1997	1996
	£	£
Premium arising out of issue of shares	33,205,446	-

12. DEFERRED TAXATION

There is no provision for deferred taxation in the financial statements, nor is there any deferred taxation liability not provided. The potential deferred taxation asset not realised is:

	Asset not realised	
	1997	1996
	£	£
Losses	-	30,834

13. ULTIMATE PARENT COMPANY

The immediate parent company is Mondi Minorco Paper International, a company incorporated in Luxembourg.

The ultimate parent company is Minorco, a Société Anonyme incorporated in Luxembourg. Copies of the group financial statements are available by writing to the Secretary of Minorco at 9 rue Sainte Zithe, L-2763 Luxembourg City, Grand Duchy of Luxembourg.

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Minorco group companies.