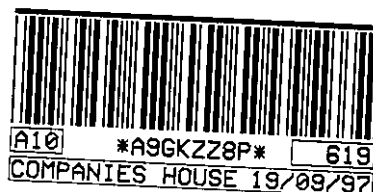


St Regis International Limited

Director's report and financial accounts

3 May 1997

Company no. 328480



St Regis International Limited

Directors' report

The Directors have pleasure in submitting their report together with the audited accounts of the Company for the year ended 3 May 1997.

Company's activities

The Company's principal activity is to act as a financing company for the Group, David S. Smith (Holdings) PLC.

The profit for the year of £1,577,000 (1996: Loss £3,900,000) has been transferred to reserves.

Directors

Directors who served during the year were as follows:

J.S. Russell
J.P. Williams
D.F. Buttfield

Directors' interests

None of the directors held an interest in the shares of the company. All the directors are also Directors of the ultimate holding company and their interests in the shares of that company are set out in its Directors' Report.

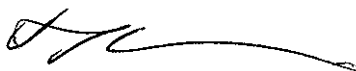
Auditors

On 16 October 1996 the company passed a resolution in general meeting to appoint KPMG Audit Plc as auditor of the company.

Registered office:

16 Great Peter Street
London
SW1P 2BX

FOR AND ON BEHALF OF THE BOARD



A.J. Richardson
Company Secretary

14 July 1997

St Regis International Limited

Profit and loss account

for the financial year ending 3 May 1997

	Note	1997 £'000	1996 £'000
Administrative expenses		<u>49</u>	<u>(2,770)</u>
Operating Profit/(Loss)		49	(2,770)
Exceptional items – amount written off against fixed asset investment	2	<u>-</u>	<u>(522)</u>
Profit/(Loss) before interest		49	(3,292)
Interest	3	<u>370</u>	<u>(1,229)</u>
Profit/(Loss) on ordinary activities before taxation		419	(4,521)
Taxation	4	<u>1,158</u>	<u>621</u>
Profit/(Loss) for the year		<u>1,577</u>	<u>(3,900)</u>

There are no recognised gains or losses other than those detailed in the profit and loss account.

There is no material difference between the reported profits and losses on ordinary activities before taxation and the profits and losses restated on a historical cost basis.

A statement of movement on reserves appears in note 11.

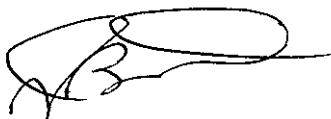
The notes on pages 4 to 7 form part of these accounts.

St Regis International Limited

Balance sheet at 3 May 1997

	Note	1997 £'000	1996 £'000
Current Assets			
Debtors: amount falling due in less than one year	7	12,815	9,051
Debtors: amounts falling due after one year	7	<u>138,714</u>	<u>154,778</u>
Total debtors		151,529	163,829
Cash		<u>3</u>	<u>26</u>
Total current assets		151,532	163,855
Current Liabilities			
Creditors: amounts due in less than one year	8	<u>(3,623)</u>	<u>(4,454)</u>
Total assets less current liabilities		147,909	159,401
Creditors: amounts falling due after more than one year	8	<u>(126,079)</u>	<u>(139,148)</u>
Net Assets		<u>21,830</u>	<u>20,253</u>
Capital and Reserves			
Called up share capital	10	11,000	11,000
Share premium	11	5,800	5,800
Profit and loss account	11	<u>5,030</u>	<u>3,453</u>
Shareholders Funds – Equity		<u>21,830</u>	<u>20,253</u>

Approved by the Board on 14 July 1997.



DIRECTOR D. F. Buttfield

The notes on pages 4 to 7 form part of these accounts.

St Regis International Limited

Notes to the accounts

1. ACCOUNTING POLICIES

These accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its published consolidated financial statements.

2. EXCEPTIONAL ITEMS

	1997 £'000	1996 £'000
Amount written off against fixed asset investment	—	<u>522</u>

3. INTEREST

	1997 £'000	1996 £'000
Interest received and receivable	8,939	9,088
Interest payable and other charges on bank loans repayable in under five years	<u>(8,569)</u>	<u>(10,317)</u>
Interest	<u>370</u>	<u>(1,229)</u>

4. TAXATION

	1997 £'000	1996 £'000
Corporation tax credit on the profit/loss for the year at 33 % (1996 – 33 %)	249	728
Corporation Tax – prior year	909	-
Deferred taxation	—	<u>(107)</u>
	<u>1,158</u>	<u>621</u>

5. DIRECTORS' EMOLUMENTS

The Directors are remunerated by other group companies and no specific recharge is made in respect of their services to this company.

St Regis International Limited

6. FIXED ASSET INVESTMENT

	Other Fixed Asset investments £'000
Cost:	
At 27 April 1996	522
Additions	6,376
Disposals	(6,376)
At 3 May 1997	<u>522</u>
Provision against investment:	
At 27 April 1996 and 3 May 1997	<u>522</u>
Net Book value at 27 April 1996 and 3 May 1997	<u><u>-</u></u>

7. DEBTORS

	1997 £'000	1996 £'000
(a) Amounts falling due within one year:		
Corporation Tax	249	728
Other debtors	11,387	6,751
Prepayments and accrued income	<u>1,179</u>	<u>1,572</u>
	<u>12,815</u>	<u>9,051</u>
(b) Amounts falling due after more than one year:		
Amounts owed by Group undertakings	76,909	88,553
Other debtors	<u>61,805</u>	<u>66,225</u>
	<u>138,714</u>	<u>154,778</u>
	<u>151,529</u>	<u>163,829</u>

St Regis International Limited

8. CREDITORS

	1997 £'000	1996 £'000
(a) Amounts falling due within one year:		
Accruals and deferred income	<u>3,623</u>	<u>4,454</u>
	<u>3,623</u>	<u>4,454</u>
(b) Amounts falling due after more than one year:		
Other loans	123,137	136,206
Amounts owed to Group undertakings	<u>2,942</u>	<u>2,942</u>
	<u>126,079</u>	<u>139,148</u>

9. BORROWINGS

	1997 £'000	1996 £'000
The Company's net borrowings are:		
Bank loans due between two and five years	<u>123,137</u>	<u>136,206</u>

St Regis International Limited

9. BORROWINGS

Continued

David S. Smith (Holdings) PLC entered into a note purchase agreement as of 12 May 1993, with a number of US investors who have purchased US\$100m of 6.81% senior notes issued by David S. Smith (Holdings) PLC on 2 June 1993. On 27 April 1995 the agreement was novated in favour of St Regis International Limited. The note will mature on 12 May 2000.

On 12 May 1993 the Company entered into swap transactions under which it made payments in the aggregate amount of US\$100m in return for an equivalent amount denominated in pounds sterling and French francs. The swap counterparties also agreed to pay fixed rate dollar interest of 6.81% per annum in exchange for the payment of sterling and French franc floating rate interest at rates linked to LIBOR and PIBOR.

10. SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and Fully Paid</u>	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>

11. RESERVES

	Share Premium Account £'000	Revenue Account £'000
At 27 April 1996	5,800	3,453
Retained profit for the year	—	<u>1,577</u>
At 3 May 1997	<u>5,800</u>	<u>5,030</u>

12. The Company is a wholly owned subsidiary of David S. Smith (Holdings) PLC, its ultimate parent company, and the parent undertaking of the largest group of undertakings for which group accounts are drawn up. Copies of these group accounts can be obtained from the Company Secretary at 16 Great Peter Street, London SW1P 2BX. David S. Smith (Holdings) PLC is registered in England.

St Regis International Limited

Directors' responsibilities for preparation of financial statements

As required by company law the Directors are responsible for the preparation of 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 period. 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 have responsibility for ensuring that the Company keeps 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 taking reasonable steps for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

St Regis International Limited

Report of the auditors to the members of St Regis International Limited

We have audited the financial statements on pages 2 to 7.

Respective responsibilities of directors and auditors

As described on page 8 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 3 May 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

14 July 1997