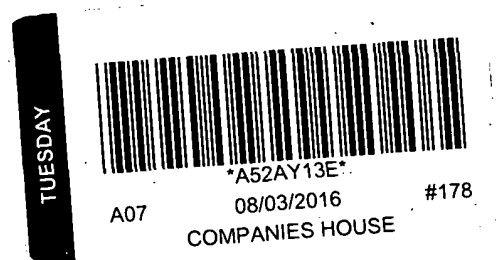


MONDI FINANCE plc
Annual Report & Financial Statements
for the year ended 31 December 2015
Registration Number: 05916680



MONDI FINANCE plc

ANNUAL REPORT & FINANCIAL STATEMENTS **For the year ended 31 December 2015**

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MONDI FINANCE plc

ANNUAL REPORT & FINANCIAL STATEMENTS For the year ended 31 December 2015

OFFICERS AND PROFESSIONAL ADVISERS

Directors

C A Hunt
A C W King
M A McHugh
J C Paterson

Company Secretary

C A Hunt

Registered office

Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
United Kingdom
KT15 2PG

Bankers

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

MONDI FINANCE plc

STRATEGIC REPORT

For the year ended 31 December 2015

Mondi Finance plc (the “Company”) is a wholly-owned subsidiary of the Mondi Group (“the Group”), the ultimate parent company being Mondi plc.

The Company is a finance company with its principal activity being to provide financing and associated arrangements to companies within the Group. There have been no significant changes in the Company’s principal activities during the year and the Directors do not envisage any significant changes in the Company’s activities in the foreseeable future.

The Company currently has two €500 million Eurobonds outstanding and is able to issue further Eurobonds under its existing €2.5 billion Euro Medium Term Note programme (“EMTN”) subject to market conditions.

The Company utilised its option to extend its €750m revolving credit facility for an additional year (to 2020) on the first anniversary of the agreement. The Company has a further option to extend the facility for an additional year on the second anniversary of the agreement subject to each bank's approval.

The Company’s finance costs are discussed in the Group’s Integrated report and financial statements. The Company’s Directors believe that further key performance indicators of the Company are neither necessary nor appropriate for an understanding of the development, performance or position of the business.

Going concern

The Company will continue to act in line with its principal business activities and continue to act as a financing company for the Group. As a result, the Directors believe that the Company will continue to be a going concern into the foreseeable future and have adopted the going concern basis of accounting.

Results and dividends

The Company made a profit of €28,620,691 (2014: €2,796,800). The higher profit for the 2015 year is principally driven by the provision for impairment of receivables amounting to €16,259,597 in 2014 and the net reversal of part of this provision amounting to €8,680,033 in 2015. No dividend was declared and paid in 2015 (2014: none). The Directors have not recommended any further dividends.

Principal risks and uncertainties

The most important components of the Company's financial risk are interest rate risk, currency risk, credit risk and liquidity risk. The Company also enters into commodity contracts which are executed on a back-to-back basis with other Group companies and as such it has no net exposure to commodity risk. Due to the Company's business and considering the assets and liabilities on the Company's balance sheet, the principal financial risks the Directors consider relevant are currency and interest rate risk. The Company has entered into foreign currency swaps to hedge the foreign currency risk related to intercompany loans and other foreign exchange positions and, when deemed necessary, interest rate swaps to manage the Company’s exposure to fluctuations in interest rates.

The Company meets its funding requirements from a variety of sources including two Eurobonds and a syndicated revolving credit facility which expires in July 2020. The availability of some facilities is dependent on the Group meeting certain financial covenants, all of which have been complied with. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate well within the level of its current facilities and related covenants.

Approved by the Board of Directors on 3 March 2016 and signed on behalf of the Board



J C Paterson
Director

MONDI FINANCE plc

DIRECTORS' REPORT

The Directors present their Annual Report together with the Audited Financial Statements for the year ended 31 December 2015.

Company number

05916680

Directors

The Directors who held office during the year and to the date of this report were as follows:

C A Hunt
A C W King
M A McHugh
J C Paterson

The Company's ultimate parent company, Mondi plc, made qualifying third party indemnity provisions for the benefit of the Directors which remain in force at the date of this report.

Events occurring after 31 December 2015

There have been no material reportable events since 31 December 2015.

Information set out in the Strategic Report

Disclosures relating to the following items have been included in the Strategic Report which can be found on page 2:

- dividend payments and recommendations;
- financial risk management objectives, policies and related exposures to interest rate, currency, credit and liquidity risk; and
- likely future developments in the business of the Company.

Statement as to disclosure of information to Auditor

Each of the Directors 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 he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

Auditor

Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 3 March 2016 and signed on behalf of the Board



C A Hunt
Company Secretary

MONDI FINANCE plc

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 (Reduced Disclosure Framework) has 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONDI FINANCE plc

We have audited the financial statements of Mondi Finance plc for the year ended 31 December 2015, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework'; 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 MONDI FINANCE plc (continued)

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.



William Smith, MA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

3 March 2016

MONDI FINANCE plc

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Administrative expenses		(3,200)	(2,846)
Operating loss	4,5	(3,200)	(2,846)
Interest receivable and similar income	6	113,284	99,144
Foreign exchange loss	7	(8,124)	(6,629)
Interest payable and similar charges	8	(70,072)	(84,769)
Profit on ordinary activities before tax		31,888	4,900
Tax	9	(3,267)	(2,103)
Profit for the financial year		28,621	2,797

All amounts relate to continuing operations.

MONDI FINANCE plc

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2015

	2015 €'000	2014 €'000
Profit for the financial year	28,621	2,797
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Amounts recycled to the profit and loss account	242	229
Other comprehensive income for the year net of tax	242	229
Total comprehensive income for the year attributable to the Owners of the Company	28,863	3,026

All amounts relate to continuing operations.

MONDI FINANCE plc

BALANCE SHEET As at 31 December 2015

	Notes	2015 €'000	2014 €'000
Current assets			
Debtors	11	717,648	879,603
Loans receivable	10	1,721,275	1,714,047
Cash at bank and in hand		7,500	7,500
Derivative financial instruments	12	7,758	22,531
Total assets		2,454,181	2,623,681
Creditors: amounts falling due within one year			
Other creditors	14	(589,915)	(737,793)
Current tax liabilities		-	(54)
Borrowings	13	(153,368)	(43,671)
Derivative financial instruments	12	(8,539)	(14,791)
		(751,822)	(796,309)
Net current assets		1,702,359	1,827,372
Creditors: amounts falling due after one year			
Borrowings	13	(1,291,279)	(1,445,155)
		(1,291,279)	(1,445,155)
Total liabilities		(2,043,101)	(2,241,464)
Net assets		411,080	382,217
Capital and reserves			
Share capital	16	50,000	50,000
Cash flow hedge reserve	17	(327)	(569)
Profit and loss account		361,407	332,786
Total shareholder's funds		411,080	382,217

These financial statements were approved by the Board of Directors and authorised for issue on 3 March 2016.

They were signed on its behalf by:



J C Paterson
Director

COMPANY NUMBER: 05916680

MONDI FINANCE plc

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital €'000	Profit and loss account €'000	Cash flow hedge reserve €'000	Total €'000
Balance at 1 January 2014	50,000	329,989	(798)	379,191
Retained profit for the year	-	2,797	-	2,797
Amounts recycled to the profit and loss account - effect of cash flow hedge	-	-	229	229
Balance at 31 December 2014	50,000	332,786	(569)	382,217
Retained profit for the year	-	28,621	-	28,621
Amounts recycled to the profit and loss account - effect of cash flow hedge	-	-	242	242
Balance at 31 December 2015	50,000	361,407	(327)	411,080

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General information

Mondi Finance plc is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

These financial statements are separate financial statements.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100"). Accordingly, in the year ended 31 December 2015 the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and related party transactions.

Where required, equivalent disclosures are given in the Group Financial Statements of Mondi plc. The Group Financial Statements are available to the public and can be obtained as set out in note 20.

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Going concern

After making enquiries, the Directors have formed a judgement that, at the time of approving the financial statements, and having considered the Company's forecasts, projections and support from the parent company, there is a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Foreign currency

The financial statements are presented in Euros, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates of exchange prevailing at the reporting date.

Gains and losses arising on translation are included in the profit and loss account and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2015

2. Significant accounting policies (continued)

Taxation

Current tax

Current tax, including UK corporation tax and foreign 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 reporting date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial asset investments

Investments, other than investments in subsidiaries, joint ventures and associates, are either classified as available-for-sale or loans and receivables.

Available-for-sale investments are initially recorded at fair value. They are subsequently remeasured at each reporting date to fair value. Any unrealised gains and losses are recognised in other comprehensive income and deferred in equity until an investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is included in the profit and loss account.

Loans and receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

2. Significant accounting policies (continued)

Financial instruments (continued)

Trade debtors

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less allowance for any impairment as appropriate.

Trade creditors

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the term of the borrowings using the effective interest rate method.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Impairments recognised through the profit and loss account are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Derivative financial instruments and hedge accounting

The Company enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risk. The Company's use of financial derivatives is governed by the Mondi Group's policies approved by the Mondi Group's Board of Directors, which provide written principles on the use of financial derivatives. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the balance sheet within 'derivative financial instruments'. Derivatives are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in profit and loss and are classified within operating profit/loss or profit/loss before tax, depending on the type of risk that the derivative relates to and these classifications are consistently applied from year to year.

Cash flow hedges

The effective portion of the change in fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in equity are recognised in profit and loss in the same year in which the hedged item affects profit or loss.

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from remeasuring the associated derivative are also recognised in profit and loss.

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Recoverability of Intercompany Debtors

The Company assesses the recoverability of intercompany debtors on an annual basis. The financial results and expected future cash flows of intercompany debtors are used as part of this assessment.

Valuation of derivatives

The Company values its outstanding derivatives at each reporting date with the valuation based on the present value of expected net cash flows arising from the outstanding derivative. Management's judgement is exercised in determining the discount rate and relevant exchange rates used in the valuations.

4. Operating loss

Operating loss is stated after charging:

	2015 €'000	2014 €'000
Mondi plc management fees	2,565	2,867

None of the Directors received any remuneration during the year (2014: none) in respect of their services to the Company and the Company had no employees during the current year and prior year.

5. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual financial statements of €10,150 (2014: €10,150) have been borne by Mondi plc, the Company's ultimate parent company. Fees of €21,085 (2014: €19,000) have been paid by the Company to the Auditor for non-audit services in the year.

6. Interest receivable and similar income

	2015 €'000	2014 €'000
Interest receivable:		
- Other loans and receivables owed by Group undertakings	102,794	98,778
- Bank deposits	382	366
- Receivable impairment reversal	10,108	-
	113,284	99,144

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

7. Foreign exchange loss

	2015 €'000	2014 €'000
Foreign exchange loss	(26,008)	(16,845)
Fair value gain on foreign currency derivatives	17,884	10,216
	<u>(8,124)</u>	<u>(6,629)</u>

8. Interest payable and similar charges

	2015 €'000	2014 €'000
Interest payable:		
- On loans, overdrafts and bonds	58,539	57,931
- To other Group undertakings	10,105	10,578
Receivable impairment	1,428	16,260
	<u>70,072</u>	<u>84,769</u>

9. Tax

	2015 €'000	2014 €'000
Corporation tax:		
- Foreign tax	913	752
Adjustments in respect of prior years:		
- UK corporation tax group relief charge	2,354	1,351
Total tax charge	<u>3,267</u>	<u>2,103</u>

The standard rate of UK Corporation Tax was reduced from 21% to 20% with effect from 1 April 2015.

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

9. Tax (continued)

The Company's tax charge for the year can be reconciled to the tax on profit on ordinary activities before tax as follows:

	2015 €'000	2014 €'000
Profit on ordinary activities before tax	31,888	4,900
Tax on profit at UK corporate rate of 20.25% (2014: 21.5%)	6,457	1,054
Tax effect of non taxable income	(2,846)	(430)
Previous tax losses utilised	(3,611)	(4,120)
Current tax prior year adjustment group relief charge	2,354	1,351
Expenses not deductible	-	3,496
Withholding tax recognised	913	752
Total tax charge for the year	3,267	2,103

10. Loans receivable

	2015 €'000	2014 €'000
Loans receivable carried at amortised cost:		
- Loans to related parties	1,721,275	1,714,047
	<u>1,721,275</u>	<u>1,714,047</u>

The allowance for doubtful loans is €7,579,564 (2014: €10,298,131).

Interest is charged at a rate based on the Company's average debt cost and adjusted by local country interest rates.

11. Debtors

	2015 €'000	2014 €'000
Amounts falling due within one year:		
- Amounts owed by Group undertakings	716,359	879,037
- Prepayments and accrued income	205	205
- Other debtors	1,084	361
	<u>717,648</u>	<u>879,603</u>

There are no debtor balances past due as at the reporting date (2014: €nil). The allowance for doubtful debtors is €nil (2014: €5,961,466).

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

12. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and when deemed necessary, interest rate swaps. Derivatives are classified as current or non-current depending on their maturity. They are not used for speculative purposes.

Foreign exchange risk

The Company uses currency spot, forward and swap transactions to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities.

Interest rate risk

When deemed necessary, the Company uses interest rate swap contracts to manage its exposure to interest rate fluctuations on a portion of its existing debt.

Non-hedge transactions

Where the Company has chosen not to designate derivatives as hedges, fair value changes are recognised through the profit and loss account and are classified within foreign exchange loss.

All derivatives are held at fair value. The fair value of derivative financial instruments is as follows:

	2015		2014	
	Asset €'000	Liability €'000	Asset €'000	Liability €'000
Derivatives carried at fair value through profit or loss (FVTPL)				
Held for trading derivatives that are not designated in hedge accounting relationships:				
- Foreign exchange contracts	7,758	(8,539)	22,531	(14,791)
	<u>7,758</u>	<u>(8,539)</u>	<u>22,531</u>	<u>(14,791)</u>

Further details of derivative financial instruments are provided in note 18.

13. Borrowings

	Within 1 year or on demand €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	After 5 years €'000	Total €'000
2015					
Borrowings from Group undertakings	2,206	-	-	-	2,206
Bond issues	-	497,961	498,426	-	996,387
Syndicated credit facility	-	-	156,686	-	156,686
Other external borrowings	131,524	31,524	63,825	42,857	269,730
Bank overdrafts	19,638	-	-	-	19,638
Total borrowings	<u>153,368</u>	<u>529,485</u>	<u>718,937</u>	<u>42,857</u>	<u>1,444,647</u>

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

13. Borrowings (continued)

	Within 1 year or on demand €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	After 5 years €'000	Total €'000
2014					
Borrowings from Group undertakings	8,964	-	-	-	8,964
Bond issues	-	-	496,446	498,105	994,551
Syndicated credit facility	-	-	353,062	-	353,062
Other external borrowings	12,684	12,684	32,477	52,381	110,226
Bank overdrafts	22,023	-	-	-	22,023
	<u>43,671</u>	<u>12,684</u>	<u>881,985</u>	<u>550,486</u>	<u>1,488,826</u>
Total borrowings	<u>43,671</u>	<u>12,684</u>	<u>881,985</u>	<u>550,486</u>	<u>1,488,826</u>

All borrowings are unsecured and recorded at amortised cost. The outstanding unamortised discount amount related to the Company's two bond issues is €1,249,859 (2014: €2,146,328). The outstanding unamortised debt issuance cost is €5,376,793 (2014: €7,295,859). The principal loan arrangements in place include the following:

	Maturity	Interest rate %	Facility Amount 2015 €'000	2014 €'000
Financing facilities				
Syndicated Revolving Credit Facility	Jul 2020	EURIBOR/LIBOR + margin	750,000	750,000
€500 million Eurobond	Apr 2017	5.75%	500,000	500,000
€500 million Eurobond	Sep 2020	3.375%	500,000	500,000
European Investment Bank Facility	Jun 2025	EURIBOR + margin	90,476	100,000
			<u>750,000</u>	<u>750,000</u>

14. Other creditors

	2015 €'000	2014 €'000
Amounts owed to Group undertakings	561,790	710,247
Interest payable	26,398	26,167
Other accruals	1,727	1,379
	<u>589,915</u>	<u>737,793</u>

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

15. Deferred tax

The Company has the following gross amounts in respect of which no deferred tax asset has been recognised:

	2015 €'000	2014 €'000
At 1 January	8,449	18,953
Loss true-up for prior year filed tax return	13,513	-
Tax losses utilised	(17,832)	(10,275)
Other unrecognised timing differences	(242)	(229)
At 31 December	<u>3,888</u>	<u>8,449</u>

The tax losses may be carried forward indefinitely.

	2015 €'000	2014 €'000
The gross deferred tax asset not recognised is presented as follows:		
Tax losses not recognised	3,561	7,880
Other unrecognised timing differences	327	569
At 31 December	<u>3,888</u>	<u>8,449</u>

16. Share capital

	2015 €'000	2014 €'000
Issued, called up and fully paid		
50,000,000 ordinary shares of €1 each (2014: 50,000,000 ordinary shares of €1 each)	50,000	50,000

17. Cash flow hedge reserve

	2015 €'000	2014 €'000
Balance at 1 January	(569)	(798)
Losses recycled to income	242	229
Income tax on amounts recycled to income	-	-
At 31 December	<u>(327)</u>	<u>(569)</u>

The cash flow hedge reserve represents the cumulative gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2015

17. Cash flow hedge reserve (continued)

Gains and losses transferred from the hedging reserve into profit or loss during the year are included in the following line items in the profit and loss account:

	2015 €'000	2014 €'000
Interest payable on loans, overdrafts and bonds	(242)	(229)
	<u>(242)</u>	<u>(229)</u>

18. Financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

19. Related parties

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint ventures, associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

The following shows transactions and balances with companies which are not wholly-owned by Mondipc:

	2015 €'000	2014 €'000
Loans to related parties	7,753	7,931
(Payables)/receivables due to/from related parties	(76,489)	8,606
Interest received from related parties	147	550
Interest paid to related parties	(22)	(51)
	<u></u>	<u></u>

MONDI FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the year ended 31 December 2015**

20. Ultimate parent undertaking

The immediate parent company and controlling party is Mondi Investments Limited, a Company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Mondi Investments Limited may be obtained from the Directors, Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey KT15 2PG.

The ultimate parent company and ultimate controlling entity is Mondi plc, a Company incorporated in Great Britain and registered in England and Wales. Mondi plc is the parent undertaking of the largest and smallest group which includes the Company and for which Group Financial Statements are prepared. Financial Statements for Mondi plc may be obtained from the Company Secretary, Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey KT15 2PG.