

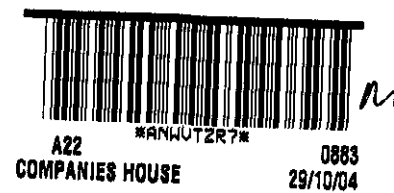
Company registration number: 13327

**MONDI PAPER LIMITED**

**Report and Financial Statements**

**31 December 2003**

**Deloitte & Touche LLP**  
**Nottingham**



**Report and Financial Statements  
31 December 2003**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

C Blackford  
F T Allan  
J Usher  
LE Pellizzarro  
C Cole  
R Simpson  
H Rode

**SECRETARY**

FT Allan

**REGISTERED OFFICE**

2 Franks Road  
Bardon Hill  
Coalville  
Leicestershire  
LE67 1TT

**AUDITORS**

Deloitte & Touche LLP  
Nottingham

**DIRECTORS' REPORT**  
**31 December 2003**

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

**ACTIVITIES**

The company manufactures paper primarily for the converting trades.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company produced and sold record volumes of paper. Supply to group plants again increased, as did exports. Results were impacted by increases in waste paper prices towards the end of the year, low PRN values and reductions in selling prices.

Looking ahead, improved profitability will depend on maintaining higher selling prices in 2004 as well as continuing cost reductions.

On 17 March 2003 the company sold its subsidiary undertaking, Trentside Recycling Limited.

**DIVIDENDS AND TRANSFERS TO RESERVES**

The retained profit for the year of £40,105 (profit for year ended 31 December 2002 £750,124) has been transferred to reserves.

The directors do not recommend the payment of a dividend (2002:£Nil).

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were:

Z Prokopowicz	(resigned 4 May 2004)
C Blackford	(appointed 4 May 2004)
F T Allan	
PJ Oswald	(resigned 24 <sup>th</sup> September 2004)
J Usher	
LE Pellizzarro	
R Simpson	
C Cole	
H Rode	(appointed 24 September 2004)

No contract or arrangement has been entered into at any time during the year or subsisted at the year-end in which a director had a material interest, which was significant in relation to the Group's business.

There are no share interests requiring disclosure in accordance with the provisions of the Companies Act 1985.

**EMPLOYEE INVOLVEMENT**

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the company may continue. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

**DIRECTORS' REPORT**  
**31 December 2003**

**PAYMENT POLICY AND PRACTICE**

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and to abide by them. Trade creditors at the year end amount to 89 days (2002: 68 days) of average supplies for the year.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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:

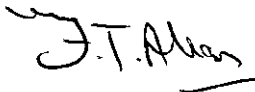
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the 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.

**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 25 October 2004  
and signed on behalf of the Board



F T Allan  
Secretary

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONDI PAPER LIMITED**

We have audited the financial statements of Mondi Paper Limited for the year ended 31 December 2003 which comprise the balance sheet, the profit and loss account, note of historical cost profits and losses and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and  
Registered Auditors

Nottingham

25 October 2004

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2003**

	Note	2003 £	2002 £
<b>TURNOVER</b>	2	32,692,074	32,835,832
Cost of sales		(28,061,944)	(28,068,238)
<b>GROSS PROFIT</b>		4,630,130	4,767,594
Distribution costs		(2,224,484)	(2,306,630)
Administrative expenses		(2,109,352)	(1,547,267)
<b>OPERATING PROFIT</b>	4	396,328	913,697
Loss on disposal of subsidiary undertakings		(346,311)	-
Interest receivable and similar income	5	74,876	-
Interest payable and similar charges	6	(221,754)	(312,573)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(196,895)	601,124
Tax on (loss)/profit on ordinary activities	7	237,000	149,000
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>	17	40,105	750,124

All the activities relate to continuing activities except for the loss on disposal of subsidiary undertakings.

There were no recognised gains or losses other than the profit for the current year and prior year, accordingly no statement of total recognised gains and losses is given.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**Year ended 31 December 2003**

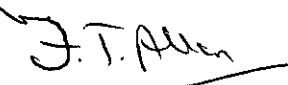
	2003 £	2002 £
Reported (loss)/profit on ordinary activities before taxation	(196,895)	601,124
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount.	46,862	33,637
Historical cost (loss)/profit on ordinary activities before taxation	(150,033)	634,761
Historical cost profit retained for the year after taxation and dividends	86,967	783,761

**BALANCE SHEET**  
**31 December 2003**

	Note	£	2003 £	£	2002 £
<b>FIXED ASSETS</b>					
Tangible assets	8		16,054,270		17,866,784
Investments in subsidiary	9		-		-
			<u>16,054,270</u>		<u>17,866,784</u>
<b>CURRENT ASSETS</b>					
Stocks	10	2,197,808		2,464,080	
Debtors due within one year	11	10,643,021		11,863,008	
Debtors due after more than one year	11	13,950,343		7,864,182	
Cash at bank and in hand		<u>2,652,310</u>		<u>3,366,365</u>	
		29,443,482		25,557,635	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	<u>(8,182,019)</u>		<u>(5,912,591)</u>	
<b>NET CURRENT ASSETS</b>			<u>21,260,663</u>		<u>19,645,044</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			37,314,933		37,511,828
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	13		(15,902,629)		(15,902,629)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14		<u>(5,315,598)</u>		<u>(5,552,598)</u>
<b>NET ASSETS</b>			<u>16,096,706</u>		<u>16,056,601</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		11,759,000		11,759,000
Revaluation reserve	17		1,194,434		1,241,296
Profit and loss account	17		<u>3,143,272</u>		<u>3,056,305</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	18		<u>16,096,706</u>		<u>16,056,601</u>

These financial statements were approved by the Board of Directors on 25 October 2004

Signed on behalf of the Board of Directors



FT Allan  
Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**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 as modified by the revaluation of freehold and leasehold properties.

**Cashflow statement**

The company is exempt from preparing a cashflow statement on the basis that a consolidated cashflow statement which includes the company is presented in the financial statements of the ultimate parent undertaking, Anglo American plc.

**Tangible fixed assets**

Depreciation is not provided on freehold land or assets under construction.

Depreciation on other assets is provided on cost or revalued amount in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2.5% per annum
Leasehold property	period of the lease
Plant and machinery	5-50% per annum
Fixtures and fittings	10-25% per annum

The transitional arrangements of FRS 15 are being adopted in the case of assets included within Land and Buildings. The company is not continuing the revaluation policy relating to these assets.

**Stocks**

Stocks and work-in-progress, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production.

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Leases**

Operating lease rentals are charged to income in equal amounts over the lease term.

**Pension costs**

The expected cost of providing pensions as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**Investments**

Investments held as fixed assets are stated at cost less provision for impairment.

**2. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit is attributable to one activity, the manufacture of paper.

	2003 £	2002 £
With third parties	11,852,310	17,859,007
Within the group	20,839,763	14,976,825
	<u>32,692,074</u>	<u>32,835,832</u>
Geographical analysis of turnover		
United Kingdom	28,871,548	29,971,963
Other European Countries	3,820,526	2,863,869
	<u>32,692,074</u>	<u>32,835,832</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2003 £	2002 £
Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	161,544	154,793
	<u>No.</u>	<u>No.</u>
Number of directors who are members of a defined benefit pension scheme	2	2

FT Allan, C. Blackford and J. Usher are executives of Mondi Packaging (UK) Limited and also directors of some or all of the following companies; Mondi Board Limited, Atlas Packaging Limited, Mondi Safepack Limited, Mondi Packaging (Delta) Limited, Mondi Packaging (GB) Limited, Mondi Paper Limited, Rochette Packaging Limited and Hypac Limited. The four directors of Mondi Packaging (UK) Limited received total emoluments of £324,000 from Mondi Packaging (UK) Limited during the year, but it is not practical to allocate this between their services as executives of Mondi Packaging (UK) Limited and their services as directors of other group companies. In addition, two directors are each accruing benefits in group defined benefit scheme in respect of their services to all group companies.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	<b>2003</b>	<b>2002</b>
	<b>No</b>	<b>No</b>
<b>Average number of persons employed</b>		
Production	175	168
Sales and distribution	21	11
Administration		18
	<u>196</u>	<u>197</u>
	<b>£</b>	<b>£</b>
Staff costs during the year were as follows:		
Wages and salaries	4,982,257	4,860,752
Social security costs	341,310	321,674
Pension costs	191,650	187,974
	<u>5,515,217</u>	<u>5,370,400</u>

**4. OPERATING PROFIT**

<b>Operating profit is stated after charging:</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Depreciation	2,230,257	2,210,422
Rentals under operating leases:		
Plant & machinery	200,049	197,525
Auditors' remuneration – audit services	7,395	3,000
Profit on disposal of fixed assets	1,702	-
	<u></u>	<u></u>

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Interest receivable from bank deposits	<u>74,876</u>	<u>-</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Interest payable to group undertakings	<u>221,754</u>	<u>312,573</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**7. TAX CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>a) Analysis of credit in the year</b>		
<b>Current tax</b>		
United Kingdom corporation tax at 30%	-	-
<b>Total current tax (note 7b)</b>	-	-
<b>Deferred tax</b>		
Credit for timing differences arising in the year	(238,000)	(149,000)
Adjustments in respect of prior years	1,000	-
<b>Total deferred tax credit</b>	(237,000)	(149,000)
Tax credit on profit on ordinary activities	(237,000)	(149,000)

**b) Factors affecting the tax charge for the year**

The standard rate of tax for the year, based on the UK standard rate of corporation tax 30% (2002: 30%).  
The actual tax charge for the current and previous year is lower than the standard rate for the reasons set out in the following reconciliation.

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
(Loss)/Profit on ordinary activities before tax	(196,895)	601,124
Tax credit/(charge) on ordinary activities at standard rate	59,069	(180,337)
<b>Effects of:</b>		
Disallowable expenses	(131,000)	(7,000)
Capital allowances in excess of depreciation	(239,000)	(151,000)
Group relief not paid for	310,931	338,337
<b>Total current tax credit (note 7a)</b>	-	-

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**8. TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £</b>	<b>Leasehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2003	3,110,853	4,030,998	30,684,403	37,826,254
Additions	-	-	417,743	417,743
Disposals	-	-	(42,955)	(42,955)
At 31 December 2003	3,110,853	4,030,998	31,059,191	38,201,042
At valuation	3,110,853	4,030,998	31,059,191	38,201,042
At cost	2,310,347	3,338,546	31,059,191	36,708,084
	3,110,853	4,030,998	31,059,191	38,201,042
<b>Accumulated depreciation</b>				
At 1 January 2003	896,777	814,698	18,247,995	19,959,470
Charged during the year	76,899	100,775	2,052,583	2,230,257
Disposal	-	-	(42,955)	(42,955)
At 31 December 2003	973,676	915,473	20,257,623	22,146,772
<b>Net book value</b>				
At 31 December 2003	2,137,177	3,115,525	10,801,568	16,054,270
At 31 December 2002	2,214,076	3,216,300	12,616,408	17,866,784

Comparable amounts determined according to historical cost convention

	<b>Freehold land and buildings £</b>	<b>Leasehold land and buildings £</b>
Cost	2,310,347	3,338,546
Accumulated depreciation	(798,728)	(791,897)
<b>Net book value</b>		
At 31 December 2003	1,511,619	2,546,649
At 31 December 2002	1,568,503	2,620,577

A freehold building is held at valuation. A full valuation was performed in 1994 on the basis of existing use value by the directors of the company at that time. This valuation was incorporated in the company at that time. The valuation has been incorporated in the balance sheet and the surplus over net book value has been added to the revaluation reserve.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**9. INVESTMENTS**

	Shares in subsidiary undertaking £
<b>Cost</b>	
At 1 January 2003	1,624,633
Disposal	(1,624,633)
	<hr/>
At 31 December 2003	-
	<hr/>
<b>Provision for impairment</b>	
At 1 January 2003	1,624,633
Disposal	(1,624,633)
	<hr/>
At 31 December 2003	-
	<hr/>
<b>Net book value</b>	
At 1 January 2003 and 31 December 2003	-
	<hr/>

The investment is in a wholly owned subsidiary, Trentside Recycling Limited, a waste paper merchant incorporated in England and Wales. On 17 March 2003 the company disposed of 100% of the share capital in Trentside Recycling Limited.

**10. STOCKS**

	2003 £	2002 £
Raw materials and consumables	560,814	502,459
Work in progress	3,653	3,932
Finished goods and goods for resale	1,633,341	1,957,689
	<hr/>	<hr/>
	2,197,808	2,464,080
	<hr/>	<hr/>

**11. DEBTORS**

	2003 £	2002 £
<b>Debtors due within one year:</b>		
Trade debtors	2,863,245	3,780,084
Amounts owed by group undertakings	7,476,109	7,522,044
Prepayments and accrued income	303,667	560,880
	<hr/>	<hr/>
	10,643,021	11,863,008
	<hr/>	<hr/>
<b>Debtors due after one year:</b>		
Amounts owed by subsidiary undertaking	-	913,839
Amounts owed by group undertakings	13,950,343	6,950,343
	<hr/>	<hr/>
	13,950,343	7,864,182
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Trade creditors	3,823,050	2,657,075
Amounts owed to group undertakings	2,189,924	1,151,573
Other creditors including taxation and social security	477,497	444,706
Accruals and deferred income	1,692,348	1,659,237
	<u>8,182,819</u>	<u>5,912,591</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2003 £	2002 £
Long term loan from parent undertaking	<u>15,902,629</u>	<u>15,902,629</u>

The above loan has no set repayment date and is interest free.

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred Taxation £	Environmental Provision £	Total £
Balance at 1 January 2003	2,552,598	3,000,000	5,552,598
Credit for the year	238,000	-	238,000
Adjustment in respect of prior period	(1,000)	-	(1,000)
Balance at 31 December 2003	<u>2,315,598</u>	<u>3,000,000</u>	<u>5,315,598</u>

**Deferred taxation**

The amounts of deferred tax provided in the accounts are as follows:

	Provided liability	
	2003 £	2002 £
Accelerated capital allowances	2,334,598	2,571,598
Other timing differences	(19,000)	(19,000)
	<u>2,315,598</u>	<u>2,552,598</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**15. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

**Deferred Tax not provided**

The company's freehold property has been revalued in accordance with FRS15, Tangible Fixed Assets. No deferred tax has been provided on the gain arising from the revaluation as such tax would only become payable if the property was sold without roll over relief being obtained. The tax which would be payable in such circumstances is estimated to be £422,844.

A capital gain of £562,492 was realised in a prior accounting period. No deferred tax has been provided on this amount as such tax would only become payable if the replacement asset is sold without roll over relief being obtained. The tax which would be payable in such circumstances is estimated to be £168,748.

Capital losses of £14,500 were realised on a disposal, which was made by the company in the previous period. No deferred tax has been provided on these losses as the tax relief would only become available if an asset were sold by the company without roll over relief being obtained. The tax, which is unprovided on these losses, is estimated to be (£4,350).

**Environmental Provision**

Management has made a provision of £3,000,000 for eventual environment clean up costs. These costs have been indemnified by another group company. The payment dates of total expected future clean up costs are uncertain, but are currently anticipated to be between 2005 and 2008.

**16. CALLED UP SHARE CAPITAL**

	2003 £	2002 £
Authorised, allotted and fully paid 11,759,000 ordinary shares of £1 each	<u>11,759,000</u>	<u>11,759,000</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**17. STATEMENT OF MOVEMENT ON RESERVES**

	Revaluation Reserve £	Profit and loss account £	Total £
At 1 January 2003	1,241,296	3,056,305	4,297,601
Retained profit for the year	-	40,105	40,105
Amount equivalent to additional depreciation on revalued assets.	(46,862)	46,862	-
At 31 December 2003	<u>1,194,434</u>	<u>3,143,272</u>	<u>4,337,706</u>

**18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Profit for the financial year and net addition to shareholders' funds	40,105	750,124
Opening equity shareholders' funds	<u>16,056,601</u>	<u>15,306,477</u>
Closing equity shareholders' funds	<u>16,096,706</u>	<u>16,056,601</u>

**19. COMMITMENTS**

(a) Capital commitments

	2003 £	2002 £
Contracted for but not provided	<u>126,248</u>	<u>135,596</u>
Authorised but not yet contracted for	<u>44,176</u>	<u>119,617</u>

(b) Annual commitments under non-cancellable operating leases are as follows:

	2003 £	2002 £
<b>Other</b>		
Within one year	16,455	18,850
Within one to two years	50,107	-
Within two to five years	88,474	114,004
After 5 years	36,751	42,306
	<u>191,787</u>	<u>175,160</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**20. PENSION COMMITMENTS**

**Defined benefit scheme**

The company is a member of the Mondi Packaging (Delta) Pension Fund which is a defined benefit scheme. At 31 December 2004 the company paid contributions of £181,029 to this scheme, being 24% of the total contributions made to the scheme.

The most recent actuarial valuation showed that the value of the scheme assets was £7,823,000 as at 1 October 2003 and that the actuarial value of the assets represented 60% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Joint contributions of 13 ½ % of pensionable pay are paid to the scheme in line with the actuary's funding recommendation. Company contributions charged to profit and loss account for the year amounted to £181,029 (2002: £187,974).

The group has continued to account for pensions in accordance with SSAP 24 "Accounting for pension costs".

**FRS17 Retirement Benefits**

During the year the Company has applied the transitional rules of FRS 17 "Retirement Benefits". However, because the Company's share of the net assets and liabilities of the Scheme cannot be separately identified, the Company accounts for its pension contributions to the Scheme on a defined contribution basis, as allowed by FRS 17.

Contributions are paid to the trustees of the Scheme on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the Scheme every three years. A full actuarial valuation of the Scheme was carried out at 30 April 2001 and updated at 31 December 2003 by a qualified actuary.

The FRS17 deficit on the Scheme as a whole and the expected rates of return at 31 December 2003 were:

	2003 Long term rate of return expected	2003 Value £'000	2002 Long term rate of return expected	2002 Value £'000	2001 Long term rate of return expected	2001 Value £'000
Equities	7.0%	20,845	6.6%	18,244	6.9%	22,059
Bonds	5.0%	4,264	4.6%	4,146	4.9%	3,867
Other	7.0 - 5.0%	2,759	6.6 - 4.6%	1,955	6.9 - 4.9%	2,733
Total market value of assets		27,868		24,345		28,659
Present value of scheme liabilities		(40,069)		(36,657)		(31,091)
Surplus/ (deficit) in scheme		(12,201)		(12,312)		(2,432)

The figures shown above were calculated on the basis of the following assumptions:

	2003	2002	2001
Discount rate	5.6%	5.5%	6.0%
Rate of increase in salaries	4.3%	3.8%	4.0%
Rate of increase in pensions in payment	2.7%	2.3%	2.5%
Inflation assumption	2.8%	2.3%	2.5%

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**21. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions given in FRS8 – Related Party Disclosures in not disclosing transactions with entities that are part of the group or investors of the group qualifying as related parties.

**22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTIES**

The company's ultimate parent undertaking and controlling party is Anglo American plc, a company that is incorporated in England and Wales. Copies of the group financial statements of Anglo American plc are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

Anglo American plc is the only company producing group accounts.

The company's immediate parent undertaking is Mondi Packaging (Delta) Limited.