

MONDI PACKAGING HOLCOMBE LIMITED

(Formerly Mondi Paper Limited)

Report and Financial Statements

31 December 2004



**Report and Financial Statements
31 December 2004**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F T Allan
C Cole
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 2004

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES

The company manufactures paper primarily for the converting trades.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 28th February 2005 the company changed its name from Mondi Paper Limited to Mondi Packaging Holcombe Limited.

Following a period of consultation the company's Creams Mill was closed at the end of December 2004, this resulted in a £2,900,000 exceptional charge to the profit and loss account. This was following a period of losses due to low market prices and high waste paper costs. Production is now centred on the company's Holcombe Mill enabling lower unit costs.

As a result of this restructure the directors felt that the value of the fixed assets was significantly impaired, a impairment charge amounting to £12,273,090 has been charged to the profit and loss account.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained loss for the year of £12,792,999 (profit for year ended 31 December 2003 £40,105) has been transferred from reserves.

The directors do not recommend the payment of a dividend (2003:£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, resigned 11 February 2006) |
| F T Allan | |
| PJ Oswald | (resigned 24 September 2004) |
| J Usher | (resigned 4 October 2004) |
| LE Pellizzarro | (resigned 31 December 2004) |
| R Simpson | (resigned 31 December 2004) |
| 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 2004

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 82 days (2003: 89 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 8 May 2006.
and signed on behalf of the Board



F T Allan
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONDI PACKAGING HOLCOMBE LIMITED (FORMERLY MONDI PAPER LIMITED)

We have audited the financial statements of Mondi Packaging Holcombe Limited (formerly Mondi Paper Limited) for the year ended 31 December 2004 which comprise the balance sheet, the profit and loss account, note of historical cost profits and losses and the related notes 1 to 21. 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 2004 and of the loss 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

8 May 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

| | Note | 2004 £ | 2003 £ |
|---|-------------|-------------------------|-------------------------|
| TURNOVER | 2 | 32,207,594 | 32,692,074 |
| Cost of sales | | (26,991,200) | (28,061,944) |
| GROSS PROFIT | | 5,216,394 | 4,630,130 |
| Distribution costs | | (2,198,399) | (2,224,484) |
| Administrative expenses (including exceptional fixed asset impairment charge of £7,138,943) | 4 | (11,672,448) | (2,109,352) |
| OPERATING (LOSS)/PROFIT | 5 | (8,654,453) | 296,294 |
| Site closure costs | 4 | (2,900,000) | - |
| Loss on disposal of subsidiary undertakings | | - | (346,311) |
| Fixed asset impairment | 4 | (5,134,147) | - |
| Interest receivable and similar income | 6 | 244,735 | 74,876 |
| Interest payable and similar charges | 7 | (217,988) | (221,754) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (16,661,853) | (196,895) |
| Tax on loss on ordinary activities | 8 | 3,868,854 | 237,000 |
| RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD | 16,17 | (12,792,999) | 40,105 |

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 loss for the current 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 2004

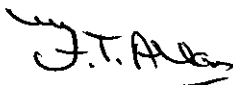
| | 2004 £ | 2003 £ |
|--|-------------------------|-------------------------|
| Reported loss on ordinary activities before taxation | (16,661,853) | (196,895) |
| Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount. | 46,862 | 46,862 |
| Historical cost loss on ordinary activities before taxation | (16,614,991) | (150,033) |
| Historical cost (loss)/profit retained for the year after taxation and dividends | (12,746,137) | 86,967 |

BALANCE SHEET
31 December 2004

| | Note | £ | 2004 £ | £ | 2003 £ |
|--|------|-------------|-------------|--------------|-------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 9 | | 1,922,128 | | 16,054,270 |
| CURRENT ASSETS | | | | | |
| Stocks | 10 | 2,503,377 | | 2,197,808 | |
| Debtors due within one year | 11 | 12,054,734 | | 10,643,021 | |
| Debtors due after more than one year | 11 | 3,221,930 | | 13,950,343 | |
| Cash at bank and in hand | | 3,106,728 | | 2,652,310 | |
| | | | 20,886,769 | 29,443,482 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 12 | (9,116,974) | | (8,182,819) | |
| NET CURRENT ASSETS | | | 11,769,795 | | 21,260,663 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 13,691,923 | | 37,314,933 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 13 | (5,174,216) | | (15,902,629) | |
| PROVISIONS FOR LIABILITIES AND CHARGES | 14 | | (5,214,000) | | (5,315,598) |
| NET ASSETS | | | 3,303,707 | | 16,096,706 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 15 | | 11,759,000 | | 11,759,000 |
| Revaluation reserve | 16 | | - | | 1,194,434 |
| Profit and loss account | 16 | | (8,455,293) | | 3,143,272 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 17 | | 3,303,707 | | 16,096,706 |

These financial statements were approved by the Board of Directors on 8 May 2006

Signed on behalf of the Board of Directors



FT Allan
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom 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 the 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 2004

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.

| | 2004 £ | 2003 £ |
|-----------------------------------|-------------------|-------------------|
| With third parties | 12,600,795 | 11,852,311 |
| Within the group | 19,606,799 | 20,839,763 |
| | <u>32,207,594</u> | <u>32,692,074</u> |
| Geographical analysis of turnover | | |
| United Kingdom | 28,796,968 | 28,871,548 |
| Other European Countries | 3,410,626 | 3,820,526 |
| | <u>32,207,594</u> | <u>32,692,074</u> |

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| Directors Emoluments | 2004 £ | 2003 £ |
|--|----------------|----------------|
| Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes) | <u>155,586</u> | <u>161,544</u> |
| | | No. |
| Number of directors who are members of a defined benefit pension scheme | <u>2</u> | <u>2</u> |

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 Packaging Holcombe Limited, Rochette Packaging Limited and Hypac Limited. The four directors of Mondi Packaging (UK) Limited received total emoluments of £442,000 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 the group defined benefit scheme in respect of their services to all group companies.

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

| | 2004 No | 2003 No |
|--|------------------|------------------|
| Average number of persons employed | | |
| Production | 170 | 175 |
| Sales and distribution | 21 | 21 |
| | <u>191</u> | <u>196</u> |
| | £ | £ |
| Staff costs during the year were as follows: | | |
| Wages and salaries | 5,410,138 | 4,982,257 |
| Social security costs | 329,421 | 341,310 |
| Pension costs | 186,245 | 191,650 |
| | <u>5,925,804</u> | <u>5,515,217</u> |

4. EXCEPTIONAL ITEMS

Following a period of consultation the company's Creams Mill was closed at the end of December 2004, this resulted in a £2,900,000 exceptional charge to the profit and loss account. The majority of these relate to redundancy costs, stock write-offs and site related costs. This was following a period of losses due to low market prices and high waste paper costs. Production is now centred on the company's Holcombe Mill enabling lower unit costs.

As a result of this restructure the directors felt that the value of the fixed assets was significantly impaired, impairment charges amounting to £7,138,943 for the Holcombe site and £5,134,147 for the Creams site have been charged to the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

5. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

| | 2004 £ | 2003 £ |
|---|-------------------|-------------------|
| Depreciation | 2,057,760 | 2,230,257 |
| Fixed asset impairment | 7,138,943 | - |
| Rentals under operating leases: | | |
| Plant & machinery | 186,729 | 200,049 |
| Auditors' remuneration – audit services | 10,435 | 7,395 |
| Profit on disposal of fixed assets | - | 1,702 |
| | <u> </u> | <u> </u> |

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2004 £ | 2003 £ |
|---|----------------|---------------|
| Interest receivable from bank deposits | 93,549 | 74,876 |
| Interest receivable from group undertakings | 151,186 | - |
| | <u>244,735</u> | <u>74,876</u> |

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2004 £ | 2003 £ |
|--|----------------|----------------|
| Interest payable to group undertakings | <u>217,988</u> | <u>221,754</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

8. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

| | 2004 | 2003 |
|--|--------------------|------------------|
| | £ | £ |
| a) Analysis of credit in the year | | |
| Current tax | | |
| Group Relief – adjustments in respect of prior periods | 274,961 | - |
| Total current tax (note 8b) | <u>274,961</u> | <u>-</u> |
| Deferred tax | | |
| Credit for timing differences arising in the year | (4,136,320) | (238,000) |
| Adjustments in respect of prior years | (7,495) | 1,000 |
| Total deferred tax credit | <u>(4,143,815)</u> | <u>(237,000)</u> |
| Tax credit on loss on ordinary activities | <u>(3,868,854)</u> | <u>(237,000)</u> |

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% (2003: 30%).
The actual tax charge for the year is different from the standard rate for the reasons set out in the following reconciliation.

| | 2004 | 2003 |
|--|----------------|-------------|
| | £ | £ |
| Loss on ordinary activities before tax | (16,661,853) | (196,895) |
| Tax charge on ordinary activities at standard rate | (4,998,556) | (59,069) |
| Effects of: | | |
| Disallowable expenses | 500,923 | 131,000 |
| Capital allowances in excess of depreciation | 3,456,703 | 239,000 |
| Movements in general provisions | 861,089 | - |
| Losses carried back | 189,841 | - |
| Adjustments in respect of prior periods | 274,961 | - |
| Group relief not paid for | - | (310,931) |
| Total current tax credit (note 8a) | <u>274,961</u> | <u>-</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

9. TANGIBLE FIXED ASSETS

| | Freehold land and buildings £ | Leasehold land and buildings £ | Plant and machinery £ | Total £ |
|---------------------------------|--|---|--------------------------------------|--------------------|
| Cost or valuation | | | | |
| At 1 January 2004 | 3,110,853 | 4,030,998 | 31,059,191 | 38,201,042 |
| Additions | - | - | 203,708 | 203,708 |
| Disposals | - | - | (6,164) | (6,164) |
| At 31 December 2004 | <u>3,110,853</u> | <u>4,030,998</u> | <u>31,256,735</u> | <u>38,398,586</u> |
| Accumulated depreciation | | | | |
| At 1 January 2004 | 973,676 | 915,473 | 20,257,623 | 22,146,772 |
| Charged during the year | 76,899 | 100,775 | 1,880,086 | 2,057,760 |
| Impairment | 2,060,278 | 3,014,750 | 7,198,062 | 12,273,090 |
| Disposal | - | - | (1,164) | (1,164) |
| At 31 December 2004 | <u>3,110,853</u> | <u>4,030,998</u> | <u>29,334,607</u> | <u>36,476,458</u> |
| Net book value | | | | |
| At 31 December 2004 | <u>-</u> | <u>-</u> | <u>1,922,128</u> | <u>1,922,128</u> |
| At 31 December 2003 | <u>2,137,177</u> | <u>3,115,525</u> | <u>10,801,568</u> | <u>16,054,270</u> |

Comparable amounts determined according to historical cost convention

| | Freehold land and buildings £ | Leasehold land and buildings £ |
|--------------------------|--|---|
| Cost | 2,310,347 | 3,338,546 |
| Accumulated depreciation | <u>(2,310,347)</u> | <u>(3,338,546)</u> |
| Net book value | | |
| At 31 December 2004 | <u>-</u> | <u>-</u> |
| At 31 December 2003 | <u>1,511,619</u> | <u>2,546,649</u> |

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. As the assets have been impaired to nil in the current year the historical cost of these assets is also nil.

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

10. STOCKS

| | 2004 | 2003 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Raw materials and consumables | 567,885 | 560,814 |
| Work in progress | 3,645 | 3,653 |
| Finished goods and goods for resale | 1,931,847 | 1,633,341 |
| | <u>2,503,377</u> | <u>2,197,808</u> |

11. DEBTORS

| | 2004 | 2003 |
|-------------------------------------|-------------------|-------------------|
| | £ | £ |
| Debtors due within one year: | | |
| Trade debtors | 3,153,698 | 2,863,245 |
| Amounts owed by group undertakings | 6,812,936 | 7,476,109 |
| Prepayments and accrued income | 259,883 | 303,667 |
| Deferred tax asset (note 13) | 1,828,217 | - |
| | <u>12,054,734</u> | <u>10,643,021</u> |
| Debtors due after one year: | | |
| Amounts owed by group undertakings | <u>3,221,930</u> | <u>13,950,343</u> |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 | 2003 |
|--|------------------|------------------|
| | £ | £ |
| Trade creditors | 3,571,255 | 3,823,050 |
| Amounts owed to group undertakings | 3,065,944 | 2,189,924 |
| Group relief payable | 274,961 | - |
| Other creditors including taxation and social security | 307,210 | 477,497 |
| Accruals and deferred income | 1,897,604 | 1,692,348 |
| | <u>9,116,974</u> | <u>8,182,819</u> |

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

| | 2004 | 2003 |
|---------------------------------------|------------------|-------------------|
| | £ | £ |
| Long term loan from group undertaking | <u>5,174,216</u> | <u>15,902,629</u> |

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

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

14. PROVISIONS FOR LIABILITIES AND CHARGES

| | Deferred Taxation | Closure Costs Provision | Environmental Provision | Total |
|---------------------------------------|----------------------|-------------------------------|----------------------------|------------------|
| | £ | £ | £ | £ |
| Balance at 1 January 2004 | 2,315,598 | - | 3,000,000 | 5,315,598 |
| Credit for the year | (2,308,103) | - | - | (2,308,103) |
| Charge for the year | - | 2,214,000 | - | 2,214,000 |
| Adjustment in respect of prior period | (7,495) | - | - | (7,495) |
| Balance at 31 December 2004 | <u>-</u> | <u>2,214,000</u> | <u>3,000,000</u> | <u>5,214,000</u> |

Deferred taxation asset

The deferred tax asset amounting to £1,828,217 (2003:£Nil) is reflected in debtors due within one year. Profits are expected to arise in 2005 therefore it has been assumed that there will be future tax liabilities with which to recover the deferred tax asset.

| | Deferred Taxation Asset £ |
|-----------------------------|------------------------------------|
| Balance at 1 January 2004 | - |
| Credit for the year | (1,828,217) |
| Balance at 31 December 2004 | <u>(1,828,217)</u> |

Deferred taxation

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

| | Provided (asset)/liability 2004 £ | 2003 £ |
|--------------------------------|--|------------------|
| Accelerated capital allowances | (944,386) | 2,334,598 |
| Other timing differences | (883,831) | (19,000) |
| | <u>(1,828,217)</u> | <u>2,315,598</u> |

NOTES TO THE ACCOUNTS**Year ended 31 December 2004****14. 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).

Closure costs Provision

Management has made a provision of £2,214,000 for the closure of the Creams site, this is made up of redundancy costs of £1,831,000 together with other related costs. The payment dates of these costs are anticipated to be during 2005 and early 2006.

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.

15. CALLED UP SHARE CAPITAL

| | 2004 £ | 2003 £ |
|--|------------|------------|
| Authorised, allotted and fully paid 11,759,000 ordinary shares of £1 each | 11,759,000 | 11,759,000 |

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

16. STATEMENT OF MOVEMENT ON RESERVES

| | Revaluation Reserve £ | Profit and loss account £ | Total £ |
|--|-----------------------------|---------------------------------|--------------|
| At 1 January 2004 | 1,194,434 | 3,143,272 | 4,337,706 |
| Retained loss for the year | - | (12,792,999) | (12,792,999) |
| Amount equivalent to additional depreciation on revalued assets. | (46,862) | 46,862 | - |
| Transfer to profit and loss account | (1,147,572) | 1,147,572 | - |
| At 31 December 2004 | - | (8,455,293) | (8,455,293) |

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | 2004 £ | 2003 £ |
|--|--------------|------------|
| (Loss)/profit for the financial year and net (reduction)/addition to shareholders' funds | (12,792,999) | 40,105 |
| Opening equity shareholders' funds | 16,096,706 | 16,056,601 |
| Closing equity shareholders' funds | 3,303,707 | 16,096,706 |

18. COMMITMENTS

(a) Capital commitments

| | 2004 £ | 2003 £ |
|---------------------------------------|-----------|-----------|
| Contracted for but not provided | 112,568 | 126,248 |
| Authorised but not yet contracted for | 134,716 | 44,176 |

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

| | 2004 £ | 2003 £ |
|--------------------------|-----------|-----------|
| Other | | |
| Within one year | 29,521 | 16,455 |
| Within one to two years | 37,651 | 50,107 |
| Within two to five years | 52,306 | 88,474 |
| After 5 years | 14,285 | 36,751 |
| | 133,763 | 191,787 |

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

19. PENSION COMMITMENTS

Defined contribution scheme.

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amount to £8,000 (2003: £NIL). There were no accrued pension contributions at the end of the year.

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 £179,000 to this scheme, being 25% of the total contributions made to the scheme.

The most recent actuarial valuation showed that the value of the scheme's assets was £30,100,000, as at 30 April 2004 and that the actuarial value of the assets represented 64% 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 £179,000 (2003: £181,000).

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 2004 and updated at 31 December 2004 by a qualified actuary.

The FRS17 deficit on the Scheme as a whole and the expected rates of return at 31 December 2004 were:

| | 2004 | 2004 | 2003 | 2003 | 2002 | 2002 |
|-------------------------------------|------------|----------|------------|----------|------------|----------|
| | Long term | | Long term | | Long term | |
| | rate of | Value | rate of | Value | rate of | Value |
| | return | £'000 | return | £'000 | return | £'000 |
| | expected | | expected | | expected | |
| Equities | 6.8% | 18,766 | 7.0% | 20,845 | 6.6% | 18,244 |
| Bonds | 4.8% | 6,949 | 5.0% | 4,264 | 4.6% | 4,146 |
| Other | 6.8 – 4.8% | 2,762 | 7.0 – 5.0% | 2,759 | 6.6 – 4.6% | 1,955 |
| Total market value of assets | | 28,477 | | 27,868 | | 24,345 |
| Present value of scheme liabilities | | (42,700) | | (40,069) | | (36,657) |
| Deficit in scheme | | (14,223) | | (12,201) | | (12,312) |

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

19. PENSION COMMITMENTS (continued)

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

| | 2004 | 2003 | 2002 |
|---|------|------|------|
| Discount rate | 5.5% | 5.6% | 5.5% |
| Rate of increase in salaries | 4.4% | 4.3% | 3.8% |
| Rate of increase in pensions in payment | 2.8% | 2.7% | 2.3% |
| Inflation assumption | 2.9% | 2.8% | 2.3% |

20. 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.

21. 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.