Company registration number: 13327

MONDI PACKAGING HOLCOMBE LIMITED

(Formerly Mondi Paper Limited)

Report and Financial Statements

31 December 2006

Report and Financial Statements
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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F T Allan
C Cole
C Skilich

SECRETARY

FT Allan

REGISTERED OFFICE

2 Franks Road
Bardon Hill
Coalville
Leicestershire
LE67 1TT

AUDITORS

Deloitte & Touche LLP
Nottingham

DIRECTORS' REPORT
31 December 2006

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's ultimate parent undertaking and controlling party at 31 December 2006 was Anglo American plc, a company which 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

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

The company's principal activity is the manufacture of paper primarily for the converting trades There have not been any significant changes in the company's principal activities in the year under review The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year

As shown in the company's profit and loss account, the company's sales have increased by 22% over the prior year Loss after tax reduced on the previous year, partly due to the environment provision charge in the prior year and partly due to improved trade and better margins, offset by a final contribution to the defined benefit pension scheme This was a contribution for the predicted underfunding of the defined benefit pension scheme Following this contribution the assets and liabilities of the scheme were transferred to the Anglo American UK pension scheme on 10 April 2006 The contribution was funded by inter-company loan

The directors utilise the following key performance indicators to monitor the performance of the business against prior years and competitors

	2006	2005
Gross Profit %	21 30%	12 03%
Operating Loss %	-11 50%	-17 06%

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers The company's credit risk is mainly attributable to trade receivables The exposure is spread over a large number of customers, which limits exposure, and since the year end the company has put credit insurance in place

The company is exposed to interest rate changes as a result of inter-company financing being held at floating rates

The company is partially exposed to exchange rate fluctuations in the Euro Zone as a result of holding inter-company balances in foreign currencies Foreign currency bank accounts are held within the group to minimise this risk No derivatives are used

ENVIRONMENT

Mondi Packaging Holcombe Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities The company operates in accordance with group policies, which are described in the group's Annual Report which does not form part of this Report Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

DIRECTORS' REPORT
31 December 2006

EMPLOYEES
Details of the number of employees and related costs can be found in note 4
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees
The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters Employee representatives are consulted regularly on a wide range of matters affecting their interests

DIVIDENDS

The directors do not recommend the payment of a dividend (2005 £nil)

DIRECTORS' INDEMNITIES

The company, via its ultimate parent undertaking, has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed below

C Blackford	(resigned 11 February 2006)
F T Allan	
C Cole	
H Rode	(resigned 30 March 2007)
C Skilich	(appointed 30 March 2007)

There are no share interests in the company or other group companies requiring disclosure in accordance with the provisions of the Companies Act 1985

SUPPLIERS PAYMENT POLICY

It is the company's policy to adhere to credit terms negotiated with suppliers Advantage is taken where possible of cash discounts for early payment

Trade creditor days for the year ended 31 December 2006 were 37 days (2005 36 days)

This represents the ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amounts due, at the year end, to trade creditors due within one year

DIRECTORS' REPORT
31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that 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 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

AUDIT INFORMATION

Each of the persons who is a director at the date of approval of this report confirms that
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
(2) the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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 29 October 2007
and signed on behalf of the Board

F T Allan
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONDI PACKAGING HOLCOMBE LIMITED

We have audited the financial statements of Mondi Packaging Holcombe Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONDI PACKAGING HOLCOMBE LIMITED

(Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Nottingham, UK

Date
8th November 2007

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	2	22,764,408	18,667,911
Cost of sales		(17,897,030)	(16,421,809)
GROSS PROFIT		4,867,378	2,246,102
Distribution costs		(1,147,424)	(803,630)
Administrative expenses – environmental provision	5	-	(3,000,000)
Administrative expenses – final defined benefit scheme pension contribution	5	(3,611,084)	-
Administrative expenses – other		(2,720,633)	(1,627,496)
OPERATING (LOSS)	6	(2,611,763)	(3,185,024)
Site closure costs	5	-	(389,292)
Interest receivable and similar income	7	76,087	238,205
Interest payable and similar charges	8	(133,869)	(271,955)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,669,545)	(3,608,066)
Tax on (loss) on ordinary activities	9	979,071	1,060,930
RETAINED (LOSS) FOR THE FINANCIAL YEAR	17,18	(1,690,474)	(2,547,136)

All the activities relate to continuing activities 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 2006

	2006 £	2005 £
Reported (loss) on ordinary activities before taxation	(2,669,545)	(3,608,066)
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	-	-
Historical cost (loss) on ordinary activities before taxation	(2,669,545)	(3,608,066)
Historical cost (loss) retained for the year after taxation and dividends	(1,690,474	(2,545,136)

There is no current difference in depreciation charge due to revalued assets being fully impaired during the year ended 31 December 2005

BALANCE SHEET
31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
FIXED ASSETS					
Tangible assets	10		1,437,657		1,043,912
CURRENT ASSETS					
Stocks	11	1,037,089		1,410,885	
Debtors due within one year	12	10,464,596		9,165,082	
Debtors due after more than one year	12	-		3,221,930	
Cash at bank and in hand		3,096,983		2,943,770	
		14,598,668		16,741,667	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(7,883,655)		(8,053,160)	
NET CURRENT ASSETS			6,715,013		8,688,507
TOTAL ASSETS LESS CURRENT LIABILITIES			8,152,670		9,732,419
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14		(6,234,249)		(5,845,058)
PROVISIONS FOR LIABILITIES	15		(2,852,324)		(3,130,790)
NET (LIABILITIES)/ASSETS			(933,903)		756,571
CAPITAL AND RESERVES					
Called up share capital	16		11,759,000		11,759,000
Profit and loss account	17		(12,692,903)		(11,002,429)
SHAREHOLDERS' (DEFICIT)/FUNDS	18		(933,903)		756,571

These financial statements were approved by the Board of Directors on 29 October 2007

Signed on behalf of the Board of Directors

F.T. Allan

FT Allan
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financıal statements are prepared ın accordance wıth applıcable Unıted Kıngdom accountıng standards The partıcular accountıng polıcıes adopted are descrıbed below

Accounting convention

The financıal statements are prepared under the hıstorıcal cost conventıon as modıfied by the revaluatıon of freehold and leasehold propertıes

The company ıs exempt from the oblıgatıon to prepare and delıver consolıdated financıal statements under S228 of the Companıes Act 1985 Thıs ıs due to the fact that ıt ıs ıncluded ın the consolıdated financıal statement prepared by Anglo Amerıcan plc The accounts represent the results of the company as an ındıvıdual entıty

Cashflow statement

The company ıs exempt from preparıng a cashflow statement on the basıs that a consolıdated cashflow statement whıch ıncludes the company ıs presented ın the financıal statements of the ultımate parent undertakıng, Anglo Amerıcan plc

Tangible fixed assets

Deprecıatıon ıs not provıded on freehold land or assets under constructıon

Deprecıatıon on other assets ıs provıded on cost or re-valued amount ın equal annual ınstalments over the estımated useful lıves of the assets The rates of deprecıatıon are as follows

Freehold buıldıngs	2 5% per annum
Leasehold property	perıod of the lease
Plant and machınery	5-50% per annum
Fıxtures and fittıngs	10-25% per annum

The transıtıonal arrangements of FRS 15 are beıng adopted ın the case of assets ıncluded wıthın Land and Buıldıngs The company ıs not contınuıng the revaluatıon polıcy relatıng to these assets

Stocks

Stocks and work-ın-progress, are stated at the lower of cost and net realısable value Cost ıncludes materıals, dırect labour and productıon overheads approprıate to the relevant stage of productıon

Taxatıon

Current UK corporatıon tax ıs provıded at amounts expected to be paıd (or recovered) usıng tax rates and laws that have been enacted or substantıvely enacted by the balance sheet date

Deferred tax ıs provıded ın full on tımıng dıfferences whıch result ın an oblıgatıon at the balance sheet date to pay more tax, or a rıght to pay less tax, at a future date, at rates expected to apply when they crystallıse based on current tax rates and law Tımıng dıfferences arıse from the ınclusıon of ıtems of ıncome and expendıture ın taxatıon computatıons ın perıods dıfferent from those ın whıch they are ıncluded ın the financıal statements Deferred tax ıs not provıded on tımıng dıfferences arısıng from the revaluatıon of fixed assets where there ıs no commıtment to remıt these earnıngs Deferred tax assets are recognısed to the extent that ıt ıs regarded as more lıkely than not that they wıll be recovered Deferred tax assets and lıabılıtıes are not dıscounted

Leases

Operatıng lease rentals are charged to ıncome ın equal amounts over the lease term

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Pension costs

Defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged against profit represents the contributions payable to the scheme in the accounting period

Defined benefit pension scheme The company has adopted FRS17 Retirement Benefits However, because the company's share of net assets and liabilities of the scheme cannot be separately identified contributions to the schemes defined benefit scheme were charged to the profit and loss account as they became payable there were no contributions through the payroll during the year, only the special contribution The defined benefit scheme was transferred during the year to the Anglo UK pension scheme (see note 20)

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

	2006 £	2005 £
With third parties	8,413,556	6,484,722
Within the group	14,350,852	12,183,189
	22,764,408	18,667,911
Geographical analysis of turnover		
United Kingdom	21,301,678	18,048,796
Other European Countries	1,462,730	619,115
	22,764,408	18,667,911

3. POST BALANCE SHEET EVENTS

In March 2007, the UK government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008 This legislation was substantively enacted on 26 June 2007 When this change is enacted, the deferred tax assets and liabilities, currently stated at 30% of the temporary differences, will be restated at 28% of those amounts In addition, the effective tax rate for the period to 31 December 2008 will reduce accordingly

On 3rd July 2007 the Mondi group became an independent business with dual listing on the London and Johannesburg stock exchanges

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The dırectors' emoluments are paıd by varıous group companıes and as such are dısclosed wıthın that company It ıs not practical to allocate thıs between servıces for thıs group company and other members of the group

	2006	2005
	No	No
Average number of persons employed		
Productıon	79	80
Sales and dıstrıbutıon	11	11
	90	91

	£	£
Staff costs durıng the year were as follows		
Wages and salarıes	2,387,094	2,490,738
Socıal securıty costs	241,150	271,050
Pensıon costs	111,576	112,991
	2,739,820	2,874,779

5. EXCEPTIONAL ITEMS

In the comparatıve year a charge of £3,000,000 was transferred from the ımmedıate parent undertakıng relatıng to the expected envıronmental costs ınvolved ın cleanıng up the Holcombe and Creams sıtes

Followıng a perıod of consultatıon the company's Creams Mıll was closed at the end of December 2004, thıs resulted ın a £2,900,000 exceptıonal charge to the profit and loss account ın 2004 The majorıty of thıs related to redundancy costs, stock wrıte-offs and sıte related costs Thıs was followıng a perıod of losses due to low market prıces and hıgh waste paper and electronıc costs Productıon ıs now centred on the company's Holcombe Mıll enablıng lower unıt costs A further charge of £389,292 was ıncurred durıng 2005

Durıng the year a final contrıbutıon of £3,611,084 was paıd on transfer of the defined benefit scheme to the Anglo UK pensıon scheme (see note 20)

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

6. OPERATING LOSS

Operating loss is stated after charging:		2006 £	2005 £
Depreciation		417,661	137,028
Rentals under operating leases			
Plant & machinery		138,635	175,079
Environmental provision		-	3,000,000
Final defined benefit contribution	(see note 20)	3,611,084	-
Auditors' remuneration – audit services		10,000	9,286

The analysis of auditors remuneration is as follows

	2006 £'000	2005 £'000
Fees payable to the company's auditors for the audit of the company's annual financial statements	10,000	9,286
Total audit fees	10,000	9,286

There were no non audit fees for the current or prior year

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £	2005 £
Interest receivable from bank deposits	76,087	83,042
Interest receivable from group undertakings	-	155,163
	76,087	238,205

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Interest payable to group undertakings	133,869	271,955

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

9. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of (credit) in the year	2006 £	2005 £
Current tax		
Group Relief – adjustments in respect of prior periods	(274,961)	-
Balancing payment received under transfer pricing regime	-	(81,586)
Amount receivable for group relief	-	(863,847)
Total current tax (note 9b)	(274,961)	(945,433)
Deferred tax		
Credit for timing differences arising in the year	(704,110)	(75,436)
Adjustments in respect of prior years	-	(40,061)
Total deferred tax credit	(704,110)	(115,497)
Tax credit on loss on ordinary activities	(979,071)	(1,060,930)

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% (2005 30%)
The actual tax charge for the year is different from the standard rate for the reasons set out in the following reconciliation

	2006 £	2005 £
Loss on ordinary activities before tax	(2,669,545)	(3,608,066)
Tax charge on ordinary activities at standard rate	(800,864)	(1,082,420)
Effects of:		
Disallowable expenses	(7,179)	61,550
Capital allowances in excess of depreciation	84,067	(193,427)
Movements in general provisions	620,043	268,864
Losses carried back	-	-
Adjustment for transfer pricing	22,496	-
Group relief not paid for	81,437	-
Adjustments in respect of prior periods	(274,961)	-
Total current tax credit (note 9a)	(274,961)	(945,433)

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2006	3,110,853	4,030,998	15,342,332	22,484,183
Additions	-	-	811,406	811,406
Disposals	-	-	-	-
At 31 December 2006	3,110,853	4,030,998	16,153,738	23,295,589
Accumulated depreciation				
At 1 January 2006	3,110,853	4,030,998	14,298,420	21,440,271
Charged during the year	-	-	417,661	417,661
Disposal	-	-	-	-
At 31 December 2006	3,110,853	4,030,998	14,716,081	21,857,932
Net book value				
At 31 December 2006	-	-	1,437,657	1,437,657
At 31 December 2005	-	-	1,043,912	1,043,912

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	(2,310,347)	(3,338,546)
Net book value		
At 31 December 2006	-	-
At 31 December 2005	-	-

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 2006

11. STOCKS

	2006 £	2005 £
Raw materials and consumables	377,074	693,238
Work in progress	3,229	3,244
Finished goods and goods for resale	656,786	714,403
	1,037,089	1,410,885

12. DEBTORS

	2006 £	2005 £
Debtors due within one year:		
Trade debtors	2,385,701	2,467,895
Amounts owed by group undertakings	4,059,763	3,457,510
Prepayments and accrued income	150,913	350,530
Group relief receivable	1,220,395	945,433
Deferred tax asset (note 15)	2,647,824	1,943,714
	10,464,596	9,165,082
Debtors due after one year:		
Amounts owed by group undertakings	-	3,221,930

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	2,092,727	1,914,437
Amounts owed to group undertakings	3,450,191	4,033,980
Other creditors including taxation and social security	620,068	385,806
Accruals and deferred income	1,720,669	1,718,937
	7,883,655	8,053,160

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

	2006 £	2005 £
Long term loans from group undertakings	6,234,249	5,845,058

The above loans have no set repayment date and are interest bearing

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Closure Costs Provision £	Environmental Provision £	Total £
Balance at 1 January 2006	226,000	2,904,790	3,130,790
Utilised	(260,061)	(18,405)	(278,466)
Correction of allocation	34,061	(34,061)	-
Balance at 31 December 2006	-	2,852,324	2,852,324

Deferred taxation asset

The deferred tax asset amounting to £2,647,824 (2005 £1,943,714) is reflected in debtors due within one year Profits are expected to arise in 2007 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 2006	(1,943,714)
Credit for the year	(704,110)
Balance at 31 December 2006	(2,647,824)

Deferred taxation

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

	Provided (asset)/liability 2006 £	2005 £
Accelerated capital allowances	(946,065)	(861,998)
Other timing differences	(1,701,759)	(1,081,716)
	(2,647,824)	(1,943,714)

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

15. PROVISIONS FOR LIABILITIES (continued)

Closure costs Provision

Management made a provision of £2,214,000 during 2004 for the closure of the Creams site, this is made up of redundancy costs of £1,831,000 together with other related costs, the balance outstanding at 31 December 2006 amounted to nil

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 balance at 31 December 2006 was £2,852,324 The payment dates of total expected future clean up costs are uncertain

16. CALLED UP SHARE CAPITAL

	2006 £	2005 £
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 2006

17. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £
At 1 January 2006	(11,002,429)
Retained profit/(loss) for the year	(1,690,474)
At 31 December 2006	(12,692,903)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit/(loss) for the financial year and net increase/(reduction) to shareholders' funds	(1,690,474)	(2,547,136)
Opening shareholders' funds	756,571	3,303,707
Closing shareholders' funds	(933,903)	756,571

19. COMMITMENTS

(a) Capital commitments

	2006 £	2005 £
Contracted for but not provided	-	16,166
Authorised but not yet contracted for	-	-

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

	2006 £	2005 £
Other		
Within one year	12,000	12,947
Within one to two years	11,000	17,156
Within two to five years	14,000	43,825
After 5 years	-	68,768
	37,000	142,696

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

20. 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 £111,576 (2005 £441,650) There were no accrued pension contributions at the end of the year

Defined benefit scheme

The assets and liabilities of the Mondi Packaging (Delta) Pension Fund were transferred to the Anglo UK Pension Scheme on 10 April 2006 Prior to this transfer a special contribution was made of £3,611,084 The effect of this transfer is that the company has no further liability for contributions and has no interest in the assets or liabilities of the Anglo UK Pension scheme present or future The principal employer of the merged scheme is Anglo American Services (UK) Limited

The details below are solely to report the comparative year scenario Working members of the defined benefit scheme have opted to become members of the defined contribution pension scheme noted above

The company was a member of the Mondi Packaging (Delta) Pension Fund which is a multi-employer defined benefit scheme In the year ended 31 December 2005 the company and group companies paid contributions of £1,748,679 to this scheme, being 93% of the total contributions made to the scheme

The most recent actuarial valuation showed that the value of the scheme's assets was £35,029,000, as at 30 September 2005 and that the actuarial value of the assets represented 68% 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

The scheme closed to future accrual on 1st April 2005

The group accounts for pensions in accordance with FRS 17 "Retirement Benefits"

FRS17 Retirement Benefits

During the year the Company has fully adopted 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 September 2005 and updated at 31 December 2005 by a qualified actuary

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

20. PENSION COMMITMENTS (continued)

The FRS17 deficit on the Scheme as a whole and the expected rates of return at 31 December 2005 were

	2005 Long term rate of return expected	2005 Value £'000	2004 Long term rate of return expected	2004 Value £'000
Equities	7 4%	23,466	6 8%	18,766
Bonds	4 4%	7,824	4 8%	6,949
Other	4 5 – 7 4%	3,739	6 8 – 4 8%	2,762
Total market value of assets		35,029		28,477
Present value of scheme liabilities		(51,794)		(42,700)
Deficit in scheme		(16,765)		(14,223)

The most recent actuarial valuation showed that the value of the scheme's assets was £35,029,000, as at 30 September 2005 and that the actuarial value of the assets represented 68% of the benefits that had accrued to members, after allowing for expected future increases in earnings

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

	2005	2004
Discount rate	5 05	5 5%
Rate of increase in salaries	4 4%	4 4%
Rate of increase in pensions in payment	2 8%	2 8%
Inflation assumption	2 9%	2 9%

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 was 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

Following the demerger from Anglo American plc on 3rd July 2007 the company's ultimate parent undertaking and controlling party is Mondi plc