

MONDI PAPER LIMITED

Report and Financial Statements

31 December 2001

Deloitte & Touche
Nottingham



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G D King
C M Parsons
G Camill
A Powell (resigned 28 September 2001)
D Blakey (resigned 31 December 2001)
J Eccleston (resigned 28 September 2001)
FT Allan
LE Pellizzarro
J Usher
PJ Oswald
C Cole
R Simpson

SECRETARY

FT Allan

REGISTERED OFFICE

2 Franks Road
Bardon Hill
Coalville
Leicestershire
LE67 1TT

SOLICITORS

Lupton Fawcett
Yorkshire House
Greek Street
Leeds
LS1 5S

AUDITORS

Deloitte & Touche
Chartered Accountants
Nottingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 8 months ended 31 December 2001.

ACTIVITIES

The company manufactures paper primarily for the converting trades.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 11th September 2001 the company was sold to the Mondi Europe group whose parent company is Anglo American plc. The company brings UK based corrugated case material manufacture to the Mondi Packaging UK group, which is one of the largest providers of corrugated packaging in the country. This development enables continued growth in the company's business both within the new group and externally.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors recommend that no dividend be paid (April 2001-nil). The retained profit for the 8 months, £3,028,543 (April 2001 £2,733,343) has been transferred to reserves.

FIXED ASSETS

Fixed asset movements are detailed in note 6 to the accounts.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. None of the directors had any interest in the shares of the company.

The directors who served in the period were:

GD King (appointed 10th September 2001, resigned 2nd September 2002)
CM Parsons (appointed 10th September 2001, resigned 20th December 2001)
J Usher (appointed 10th September 2001)
FT Allan (appointed 11th September 2001)
L E Pellizzaro (appointed 20th December 2001)
G Carrihill (resigned 20th December 2001)
A Powell (resigned 28th September 2001)
D Blakey (resigned 31st December 2001)
J Eccleston (resigned 28th September 2001)
P Oswald (appointed 20th December 2001)
R Simpson
C Cole

Z Prokopowicz was appointed as director on 1st October 2002

EMPLOYEE INVOLVEMENT

Efforts have been made during the period to improve the awareness of employees in matters of concern to them, particularly in respect of relevant financial and economic factors.

DISABLED EMPLOYEES

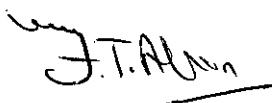
The company's policy is to give full and fair consideration to applications for employment by disabled persons and to their continuing employment, training and career development.

DIRECTORS' REPORT CONTINUED

AUDITORS

A resolution in accordance with section 386 of the Companies Act 1985 has been passed dispensing with the obligation to appoint auditors annually. Accordingly Deloitte & Touche will continue in office next year.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in dark ink, appearing to read 'F. T. Allan', with a horizontal line underneath.

F T Allan

Secretary

STATEMENT OF THE 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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, and
- ensure applicable accounting standards have been followed.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONDI PAPER LIMITED

We have audited the financial statements of Mondi Paper Limited for the period ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses and the related notes 1 to 19. 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 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 2001 and of the profit of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and
Registered Auditors
Nottingham

31st Jan 2003

MONDI PAPER LIMITED

PROFIT AND LOSS ACCOUNT
8 Months ended 31 December 2001

	Note	8 Months Ended 31 December 2001 £	Year Ended 30 April 2001 £
TURNOVER	2	22,804,117	36,961,940
Cost of sales		<u>(17,644,899)</u>	<u>(29,530,504)</u>
Gross profit		5,159,218	7,431,436
Distribution costs		<u>(1,620,226)</u>	<u>(2,185,636)</u>
Administrative expenses		<u>(705,529)</u>	<u>(1,330,618)</u>
		(2,325,755)	(3,516,254)
OPERATING PROFIT		<u>2,833,463</u>	<u>3,915,182</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,833,463	3,915,182
Tax on profit on ordinary activities	5	<u>94,975</u>	<u>(1,181,839)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD	15	<u>2,928,438</u>	<u>2,733,343</u>

STATEMENT OF MOVEMENTS OF RESERVES

	Profit and loss account £	Revaluation Reserve £
Balance at 1 May 2001	(689,531)	1,308,570
Retained profit for period	2,928,438	-
Amount equivalent to additional depreciation on revalued assets	<u>33,637</u>	<u>(33,637)</u>
	<u>2,272,544</u>	<u>1,274,933</u>

All the activities relate to continuing activities. There were no recognised gains or losses other than the profit for the current period and prior year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
8 Months ended 31 December 2001

	December 2001 £	April 2001 £
Reported profit on ordinary activities before taxation	2,833,463	3,915,182
Difference between historical cost depreciation and actual depreciation charge for the period calculated on the revalued amount	33,637	33,637
Historical cost profit on ordinary activities before taxation	<u>2,867,100</u>	<u>3,948,819</u>
Historical cost profit retained for the period after taxation and dividends	<u>3,062,180</u>	<u>2,766,980</u>

MONDI PAPER LIMITED

BALANCE SHEET
31 December 2001

	Note	December 2001	April 2001
		£	£
FIXED ASSETS			
Tangible assets	6	19,001,617	20,079,669
Investments in subsidiary	7	-	-
		<u>19,001,617</u>	<u>20,079,669</u>
CURRENT ASSETS			
Stocks	8	3,586,742	4,624,239
Debtors due within one year	9	8,290,738	7,983,508
Debtors due after more than one year	9	963,839	963,839
Cash at bank and in hand		<u>8,020,074</u>	<u>3,275,074</u>
		20,861,393	16,846,660
CREDITORS: amounts falling due within one year	10	<u>5,681,293</u>	<u>5,856,983</u>
NET CURRENT ASSETS		<u>15,180,100</u>	<u>10,989,677</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,181,717	31,069,346
CREDITORS: amounts falling due after more than one year	11	16,173,642	15,902,055
PROVISIONS FOR LIABILITIES AND CHARGES	12	2,701,598	2,789,252
		<u>15,306,477</u>	<u>12,378,039</u>
CAPITAL AND RESERVES			
Called up share capital	13	11,759,000	11,759,000
Revaluation reserve		1,274,933	1,308,570
Profit and loss account		<u>2,272,544</u>	<u>(689,531)</u>
Equity shareholders' funds		<u>15,306,477</u>	<u>12,378,039</u>

These financial statements were approved by the Board of Directors on -- 31 January 2003
Signed on behalf of the Board of Directors

J.T. Allen

- Director

NOTES TO THE ACCOUNTS

Period ended 31 December 2001

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 and certain plant and machinery.

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	2.5% per annum
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 taxation is provided at the anticipated tax rates on timing differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

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.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

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.

	8 Months to December 2001 £	Year ended April 2001 £
With third parties	12,994,117	23,045,079
Within the group	9,810,000	13,916,861
	<u>22,804,117</u>	<u>36,961,940</u>

	8 Months to December 2001 £	Year ended April 2001 £
Geographical analysis of turnover		
United Kingdom	21,322,561	35,167,564
Other European Countries	<u>1,481,556</u>	<u>1,794,376</u>
	<u>22,804,117</u>	<u>36,961,940</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	8 Months to December 2001 £	Year ended April 2001 £
Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	103,200	145,002

	No.	No.
Numbers of directors who are members of a defined benefit pension scheme	2	4

	£	£
Highest paid director's remuneration: Aggregate of emoluments and awards under long term incentive schemes (excluding pension contributions, share option gains and awards in the form of shares)	56,240	66,508

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	December 2001 No	April 2001 No
Average number of persons employed		
Production	168	168
Sales and distribution	11	13
Administration	17	17
	<u>196</u>	<u>198</u>
	8 months to December 2001 £	Year ended April 2001 £
Staff costs during the period (including directors)		
Wages and salaries	3,136,419	4,443,985
Social security costs	256,035	375,283
Pension costs	131,113	178,920
	<u>3,523,567</u>	<u>4,998,188</u>

4. OPERATING PROFIT

	8 months to December 2001 £	Year ended April 2001 £
Operating Profit is after charging:		
Depreciation	1,434,451	2,138,866
Rentals under operating leases: Plant & Machinery	60,470	72,592
Auditors' remuneration - audit	24,000	20,000
- other	-	-
Loss on disposal of fixed assets	45,346	240,637
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

Period ended 31 December 2001

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	8 Months to December 2001 £	Year ended April 2001 £
United Kingdom corporation tax at 30% (April 2001-30%)	(7,321)	1,042,962
Group relief	-	264,701
Deferred tax	(88,246)	(110,540)
	(95,567)	1,197,123
Prior year adjustments:		
- group relief	-	(988)
- deferred tax	592	(14,296)
	(94,975)	1,181,839

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Fixtures And Fittings £	Assets Under Construction £	Total £
Cost or valuation						
At 1 May 2001	3,110,853	4,030,998	29,281,813	802,807	41,741	37,268,212
Additions	-	-	-	-	413,745	413,745
Transfers	-	-	244,364	62,818	(307,182)	-
Disposals	-	-	(926,183)	(5,109)	-	(931,292)
At 31 December 2001	3,110,853	4,030,998	28,599,994	860,516	148,304	36,750,665
At Valuation	1,408,000	946,803	-	-	-	2,354,803
At Cost	1,702,853	3,084,195	28,599,994	860,516	148,304	34,395,862
	3,110,853	4,030,998	28,599,994	860,516	148,304	36,750,665
Accumulated depreciation						
At 1 May 2001	707,787	707,565	15,399,051	374,140	-	17,188,543
Charge for the period	112,091	6,358	1,268,664	47,338	-	1,434,451
Disposals	-	-	(870,114)	(3,832)	-	(873,946)
At 31 December 2001	819,878	713,923	15,797,601	417,646	-	17,749,048
Net book value						
At 31 December 2001	2,290,975	3,317,075	12,802,393	442,870	148,304	19,001,617
At 30 April 2001	2,403,066	3,323,433	13,882,762	428,667	41,741	20,079,669

Comparable amounts determined according to the historical cost convention

	Freehold land and buildings £	Leasehold land and buildings £
Cost	2,310,347	3,338,546
Accumulated depreciation	(641,707)	(589,257)
Net book value		
At 31 December 2001	1,668,640	2,749,289
At 30 April 2001	1,668,640	2,749,289

Included within plant and machinery are fully depreciated assets which cost £4,323,902 (April 2001 £4,482,815) and are still in use. The directors are of the opinion that none of the fixed assets have suffered a permanent diminution in value and the current carrying values are still appropriate.

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

7. INVESTMENTS

	Shares in subsidiary undertaking
Cost	£
At 1 May 2001 and 31 December 2001	1,624,633
Provisions	
At 1 May 2001 and 31 December 2001	1,624,633
Net book value	
At 1 May 2001 and 31 December 2001	-

Group accounts have not been prepared as Mondi Paper Limited is itself a wholly owned subsidiary. The investment is in a wholly owned subsidiary, Trentside Recycling Limited, a waste paper merchant incorporated in England.

8. STOCKS

	December 2001 £	April 2001 £
Raw materials and consumables	2,396,328	2,311,532
Finished goods and goods for resale	1,190,414	2,312,707
	<u>3,586,742</u>	<u>4,624,239</u>

9. DEBTORS

	December 2001 £	April 2001 £
Debtors due within one year:		
Trade debtors	4,414,370	4,983,982
Amounts owed by group companies	3,613,000	2,794,484
Prepayments and accrued income	263,368	205,042
	<u>8,290,738</u>	<u>7,983,508</u>
Debtors due after more than one year:		
Amounts owed by group company	963,839	963,839
	<u>963,839</u>	<u>963,839</u>

Within the amounts owed by Group Company £963,839 is a loan to the subsidiary repayable after more than one year.

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	December 2001 £	April 2001 £
Trade creditors	2,893,114	2,775,058
Amounts owed to group company	283,000	492,585
Other creditors including taxation and social security	958,949	930,788
Accruals and deferred income	<u>1,546,230</u>	<u>1,658,552</u>
	<u>5,681,293</u>	<u>5,856,983</u>

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

	December 2001 £	April 2001 £
Long term loan from parent company	<u>16,173,642</u>	<u>15,902,055</u>

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	£
Balance at 1 st May 2001	2,789,252
Prior year adjustment	592
Current period credit	<u>(88,246)</u>
Balance at 31 st December 2001	<u>2,701,598</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided December 2001 £	Provided April 2001 £
Capital allowances in advance of depreciation	2,718,611	2,800,260
General provisions	<u>(17,014)</u>	<u>(11,008)</u>
	<u>2,701,597</u>	<u>2,789,252</u>

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

12. 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).

13. CALLED UP SHARE CAPITAL	December 2001 £	April 2001 £
11,759,000 authorised, allotted and fully paid ordinary shares of £1 each	11,759,000	11,759,000

14. FINANCIAL COMMITMENTS

	December 2001 £	April 2001 £
Capital commitments		
Contracted for but not provided	103,559	5,700
Authorised but not yet contracted for	85,627	-

Operating lease commitments

At 31 December 2001, the company was committed to making the following payments during the next year in respect of operating leases.

	Plant and machinery December 2001 £	Plant and machinery April 2001 £
Leases which expire:		
Within one year	31,060	64,550
Within 2 to 5 years	55,603	89,414

NOTES TO THE ACCOUNTS
Period ended 31 December 2001

15. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	December 2001 £	April 2001 £
Profit attributable to the members of the company	2,928,438	2,733,343
Net addition to shareholders' funds	2,928,438	2,733,343
Opening shareholders' funds	12,378,039	9,644,696
Closing shareholders' funds	15,306,477	12,378,039

16. ULTIMATE PARENT COMPANY

Mondi Paper Limited is a wholly owned subsidiary of Anglo American PLC who is their ultimate parent company.

17. CASH FLOW STATEMENT

The company is not presenting a cash flow statement. It is taking advantage of the exemption contained in FRS1 - Cash Flow Statements, as the ultimate parent company, Anglo American PLC, has included a consolidated cash flow statement in the group accounts.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given in FRS 8 - Related Party Disclosures in not disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

NOTES TO THE ACCOUNTS

Period ended 31 December 2001

19. PENSION COMMITMENTS

The company is a member of the Danisco Pack Pension Fund, a defined benefit pensions scheme for all qualifying employees. The assets of the scheme are held in separate trustee administered funds. The scheme is subject to regular valuation by independent actuaries, the last valuation being carried out at 30 April 1998, using the projected unit method.

At the last actuarial valuation date the market value of the scheme's assets was £23.7 million and this actuarial value was sufficient to cover 107% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the surplus disclosed by the valuation.

The total pension cost in the period was £8,339 (April 2001 £12,041).

During the period the company has applied transitional rules of Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17"). However, because the Company's share of the net assets and liabilities of the scheme cannot be separately identified, the Company's accounts for its pension contributions to the scheme on a defined contribution bases, as allowed by FRS 17.

The valuation used for FRS 17 disclosures has been used based on the most recent actuarial valuation at 30 April 1998 and updated by to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2001. Scheme assets are stated at their market value at 31 December 2001.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Discount rate	6.0% per annum
Investment returns	8.0% per annum
Dividend growth	4.75% per annum
Salary growth	6.0% per annum
Present and future pension increases	4.0% per annum

The assets in the scheme and the expected rate of return were:

	Long term expected rate of return	Value at 31 December 2001 £'000
Equities	6.9%	22,059
Cash	4.9%	1,590
Properties	6.0%	839
Fixed Interest Investments	4.9%	3,867
Other	4.9%	304
Total market value of assets		28,659
Present value of scheme liabilities		(31,091)
Deficit in the scheme		(2,432)

Contributions are paid to the trustees of the scheme on the basis of advice from an independent professionally qualified actuary. The contributions to the scheme made by the company represent the regular cost of providing the benefits.