

HYPAC LIMITED

Report and Financial statements
31 December 2003

Deloitte & Touche LLP
Nottingham



REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

C Blackford
FT Allan

SECRETARY

FT Allan

REGISTERED OFFICE

2 Franks Road
Bardon Hill
Coalville
Leicestershire
LE67 1TT

AUDITORS

Deloitte & Touche LLP
Nottingham

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture and supply of cardboard packaging material.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company had a successful year, its first full year under Mondi ownership.

Selling prices and paper prices fell but volumes and margins were maintained in very competitive markets. In 2004 results have deteriorated because of adverse trading conditions but actions are in place to ensure successful continuing profitability.

DIVIDENDS

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

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed below:

Z Prokopowicz (resigned 4 May 2004)

FT Allan

W Wells (resigned 30 September 2003)

C Blackford (appointed 4 May 2004)

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

EMPLOYMENT OF DISABLED PERSONS

Hypac Limited operates an Equal Opportunities policy. The aim of the policy with regards to disabled persons is to eliminate discrimination against, and promote equalisation of, opportunities for disabled persons. Where an employee becomes disabled in the course of their employment the company will take all necessary steps to ensure that, where practicable, provision is made for the continuation of employment through accommodating changes to work stations and practice. In such situations where the employee becomes disabled during the course of their employment advice will be sought from the Companies Occupational Health Consultant to ensure the suitability of the activity in relation to any disability. Where advised or where necessary additional training will be provided.

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 2003 were 48 days (2002: 57 days).

This represents the ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year or period and the amounts due, at the year end, to trade creditors due within one 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 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;
- state whether applicable accounting standards have been followed;
- 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 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



FT Allan

Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPAC LIMITED

We have audited the financial statements of Hypac Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet 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 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 revised 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 revised 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 its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

Nottingham

25 October 2004

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
TURNOVER	2	41,811	43,496
Change in stocks of finished goods		(49)	(73)
Raw materials and consumables		(20,038)	(22,704)
Other external charges		(3,115)	(3,498)
Staff costs	4	(7,405)	(6,907)
Depreciation of tangible fixed assets		(884)	(1,307)
Other operating charges		(5,848)	(5,835)
OPERATING PROFIT	3	4,472	3,172
Interest receivable and similar income	5	164	53
Interest payable and similar charges	6	(241)	(297)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,395	2,928
Tax charge on profit on ordinary activities	7	(647)	(931)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	14,15	3,748	1,997

All the activities relate to continuing activities.

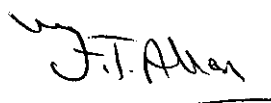
There were no recognised gains or losses other than the profit for the current year and prior year, accordingly no statement of total recognised gains and losses is given.

BALANCE SHEET
31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	9,393	9,985
CURRENT ASSETS			
Stocks	9	1,771	1,805
Debtors	10	14,636	8,884
Cash at bank and in hand		2,964	4,552
		<u>19,371</u>	<u>15,241</u>
CREDITORS: amounts falling due within one year	11	<u>(15,050)</u>	<u>(15,408)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,321</u>	<u>(167)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,714</u>	<u>9,818</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(1,620)</u>	<u>(1,472)</u>
		<u>12,094</u>	<u>8,346</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	<u>12,094</u>	<u>8,346</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>12,094</u>	<u>8,346</u>

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

Signed on behalf of the Board of Directors



F T Allan
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements are prepared under the historical cost convention.

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.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	- 20% per annum
Office Equipment, fixtures and fittings	- 33% per annum

Pension costs

During the year, the company participated in a defined contribution pension scheme, the assets of which are held separately from those of the company.

Contributions payable to the scheme in respect of the accounting period are charged to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs represent materials. Net realisable value is based on estimated selling prices less further costs to completion and disposal.

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 period different from those in which they are included in financial statements. 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 profit and loss in equal annual amounts over the lease term.

2. TURNOVER

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

All turnover is attributable to the one principal activity of the company and arises wholly from trading within the United Kingdom.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

3. OPERATING PROFIT

Operating profit is stated after charging:

	2003 £'000	2002 £'000
Auditors' remuneration - audit services	26	20
Depreciation of tangible fixed assets	884	1,307
Rentals under operating leases:		
Hire of plant and machinery	358	566
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' emoluments excluding pension contributions	81	102
Pension contributions to money purchase scheme	16	9
Compensation for loss of office	118	-
	<u> </u>	<u> </u>
	215	111
	<u> </u>	<u> </u>

Remuneration in respect of highest paid director	199	102
Contributions paid to money purchase scheme	16	9
	<u> </u>	<u> </u>
	215	111
	<u> </u>	<u> </u>

	No.	No.
The number of directors to whom retirement benefits are accruing, charged to these accounts:		
Money purchase schemes	1	1
	<u> </u>	<u> </u>

The directors F Allan and C Blackford are executives of Mondi Packaging (UK) Limited and also directors of the following companies; Mondi Board Limited, Mondi Packaging Limited, Mondi Safepack Limited, Mondi Packaging (Delta) Limited, Mondi Packaging (GB) Limited, Mondi Paper Limited, Rochette Packaging Limited and Atlas packaging 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

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2003 No.	2002 No.
Management and administration	33	20
Production, distribution and sales	245	264
	<u>278</u>	<u>284</u>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	6,562	6,157
Social security costs	619	526
Other pension costs (see note 17)	224	224
	<u>7,405</u>	<u>6,907</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Interest receivable from bank deposits	<u>164</u>	<u>53</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Interest payable to parent company	<u>241</u>	<u>297</u>

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in the year	2003 £'000	2002 £'000
Current tax		
United Kingdom corporation tax at 30% (2002: 30%)	499	814
Adjustment in respect of prior years	-	(1)
Total current tax (note 7b)	<u>499</u>	<u>813</u>
Deferred taxation		
Charge for timing differences arising in the year	148	120
Adjustment in respect of prior years	-	(2)
Total deferred tax charge	<u>148</u>	<u>118</u>
Tax on profit on ordinary activities	<u>647</u>	<u>931</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

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

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	4,395	2,928
Tax charge on profit on ordinary activities at standard rate	1,318	878
Effects of:		
Disallowable expenses	14	314
Capital allowances in excess of depreciation	(117)	(98)
Other timing differences	(28)	-
Group relief not paid for	(688)	(280)
Total current tax (note 7a)	<u>499</u>	<u>814</u>
Group relief paid for	<u>499</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Plant and Machinery £'000
Cost	
At 1 January 2003	22,965
Additions	296
Disposals	(8)
At 31 December 2003	<u>23,253</u>
Depreciation	
At 1 January 2003	12,980
Charge for the year	884
Disposals	(4)
At 31 December 2003	<u>13,860</u>
Net book value	
At 31 December 2003	<u>9,393</u>
At 31 December 2002	<u>9,985</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

9. STOCKS

	2003	2002
	£'000	£'000
Raw materials and consumables	1,563	1,548
Finished goods	208	257
	<u>1,771</u>	<u>1,805</u>

10. DEBTORS

	2003	2002
	£'000	£'000
Trade debtors	7,508	8,497
Prepayments and accrued income	103	364
Amounts due from group undertakings	7,025	23
	<u>14,636</u>	<u>8,884</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£'000	£'000
Trade creditors	1,260	3,463
Amounts owed to group undertaking	9,670	8,295
Other creditors including taxation and social security	2,197	1,031
Corporation tax	411	570
Accruals and deferred income	1,512	2,049
	<u>15,050</u>	<u>15,408</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	2003	2002
	£'000	£'000
Deferred taxation		
At 1 January 2003	1,472	1,354
Charge for the year	148	120
Adjustment in respect of prior periods	-	(2)
	<u>1,620</u>	<u>1,472</u>
At 31 December 2003		

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

12. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The amounts provided for deferred taxation are set out below:

	2003 £'000	2002 £'000
Difference between accumulated depreciation and capital allowances	1,662	1,540
Other timing differences	(42)	(68)
	<u>1,620</u>	<u>1,472</u>

13. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised, called up, allotted and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. RESERVES

	Profit and loss Account £'000
At 1 January 2003	8,346
Profit for the financial year	<u>3,748</u>
At 31 December 2003	<u>12,094</u>

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	<u>3,748</u>	<u>1,997</u>
Opening equity shareholders' funds	<u>8,346</u>	<u>6,349</u>
Closing equity shareholders' funds	<u>12,094</u>	<u>8,346</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

16. COMMITMENTS

- (a) At 31 December 2003 there were no capital commitments (2002: £nil)
 (b) Annual commitments under non-cancellable operating leases are as follows:

	2003 £'000	2002 £'000
Other		
Within one year	49	6
Within two to five years	51	6
After 5 years	455	54
	<hr/> 555	<hr/> 66

17. PENSION SCHEME

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 £224,000 (2002: £224,000).
 Outstanding contributions as at 31 December 2003 amounted to £37,000 (2002: £14,000).

18. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Anglo American plc, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Anglo American plc.

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING RELATED PARTIES

The company's ultimate parent undertaking and controlling party is 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.

Anglo American plc is the only company producing group accounts.

The company's immediate parent undertaking is Rochette Packaging Limited.