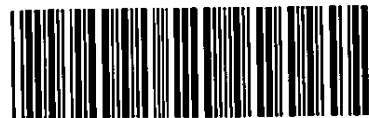


REGISTERED NUMBER: 3051244 (England and Wales)

Report of the Directors and  
Audited Financial Statements for the Year Ended 31 December 2009  
for  
Mondi Packaging (UK) Ltd

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Mondi Packaging (UK) Ltd (Registered number 3051244)

Report of the Directors  
for the Year Ended 31 December 2009

The directors present their report with the financial statements of the company for the year ended 31 December 2009

**PRINCIPAL ACTIVITIES**

The principal activities of the company in the year under review were those of manufacture and sale of packaging products. 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.

**REVIEW OF BUSINESS**

As shown in the company's profit and loss account the company's sales have decreased by 2% over the prior year, the gross profit margin has improved to 28.5% from 24.8% largely due to a decrease in paper costs. The company have reported an operating profit in the year compared to an operating loss in 2008. The improvement is in part as a result of the increase in gross margin as a result of lower costs following the restructuring as announced at the end of 2008 that has continued throughout 2009. Net assets have increased by £2.0m in the year due to the operating profit.

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

	2009	2008
Gross Profit %	28.50%	24.80%
Operating Profit/(Loss) %	3.31%	(7.17)%

**DIVIDENDS**

The directors do not recommend the payment of a dividend (2008 Nil)

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2009 to the date of this report

C A Hunt  
J H A R Schoonbrood

**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 creditor days for the year were 75 days (2008 101 days)

**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 risk is spread over a large number of customers, which limits exposure.

The company is exposed to interest rate changes as a result of financing being held at floating rates. The risk is minimised however due to the fact that all funding is internal with scope for negotiation.

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.

Report of the Directors  
for the Year Ended 31 December 2009

**GOING CONCERN**

Having reviewed the performance of the business and the plant's capacity to generate both profits and positive cash flows, and having reviewed the existing forecasts for the period to March 2011 the directors are of the opinion that the financial statements should continue to be drawn up on a going concern basis

However, in the recent past, the directors, mindful that the current uncertain economic climate causes material uncertainty around the ability to forecast demand and contribution have also had the comfort of a commitment of continued support from the Mondi Group in the event that actual performance and cash flow generation fell short of forecasted levels

As disclosed in note 20 it is expected that in the next few weeks the company will be sold and as part of that disposal process the existing directors will resign from the business. The existing directors are therefore unable to state whether there will be continued support from the new owners of the company in the event of performance and cash flow generation falling short of that currently forecast

**EMPLOYEES**

Details of the number of employees and related costs can be found in the notes to the financial statements

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

**POST BALANCE SHEET EVENTS**

Smurfit Kappa Group have signed a contract in order to purchase the entire share capital of the company. The transaction is subject to the normal procedures and conditions attaching to such transactions. The transaction is likely to complete in May 2010

On 12th March 2010 a resolution was passed to reduce the share capital by £65,000,000, this was supported by a solvency statement, by the sole shareholder of the company

On 31st March 2010 a special dividend was paid of £12,700,000

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Report of the Directors 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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

Mondi Packaging (UK) Ltd (Registered number 3051244)

Report of the Directors  
for the Year Ended 31 December 2009

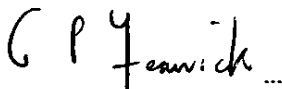
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

**AUDITORS**

The auditors, Deloitte LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

**ON BEHALF OF THE BOARD:**

  
G P Fenwick - Secretary

Date 26 April 2010.

Report of the Independent Auditors to the Shareholders of  
Mondi Packaging (UK) Ltd

We have audited the financial statements of Mondi Packaging (UK) Ltd for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company made a net profit of £1,997,000 during the year ended 31 December 2009 and, as of that date, the company's current net assets amounted to £12,385,000. As explained in note 1 to the financial statements the directors are mindful that the current uncertain economic climate causes a material uncertainty around the ability to forecast continued demand and contribution. There is an expectation that in the next few days/weeks the company will be sold and the existing directors will resign from the business. The existing directors are unable to state whether there will be continued support from the new owners of the company in the event of performance and cash flow generation falling short of that currently forecast. These facts together give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

**Opinion on other matter prescribed by the Companies Act 2006**

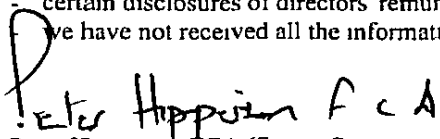
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Shareholders of  
Mondi Packaging (UK) Ltd

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
  - the financial statements are not in agreement with the accounting records and returns, or
  - certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

 Peter Hipperson FCA

Peter Hipperson FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory  
Auditors  
Nottingham, UK

Date 28<sup>th</sup> April 2010

Mondi Packaging (UK) Ltd (Registered number 3051244)

Profit and Loss Account  
for the Year Ended 31 December 2009

	Notes	31 12 09 £'000	31 12 08 £'000
<b>TURNOVER</b>	2	69,597	71,333
Cost of sales		<u>(49,765)</u>	<u>(53,666)</u>
<b>GROSS PROFIT</b>		19,832	17,667
Distribution costs		(4,561)	(5,143)
Administrative expenses		<u>(12,962)</u>	<u>(17,520)</u>
		<u>(17,523)</u>	<u>(22,663)</u>
<b>OPERATING PROFIT/(LOSS)</b>	4	2,309	(4,996)
Interest receivable and similar income	5	<u>62</u>	<u>104</u>
		2,371	(4,892)
Interest payable and similar charges	6	<u>(87)</u>	<u>(1,649)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,284	(6,541)
Tax on profit/(loss) on ordinary activities	7	<u>(287)</u>	<u>699</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>1,997</u>	<u>(5,842)</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year

Mondi Packaging (UK) Ltd (Registered number 3051244)

Balance Sheet

31 December 2009

	Notes	31 12 09 £'000	31 12 08 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	24,193	27,011
<b>CURRENT ASSETS</b>			
Stocks	9	2,073	2,200
Debtors	10	11,527	17,951
Cash in hand		<u>11,503</u>	<u>29,197</u>
		25,103	49,348
<b>CREDITORS</b>			
Amounts falling due within one year	11	<u>(12,718)</u>	<u>(39,979)</u>
<b>NET CURRENT ASSETS</b>		<u>12,385</u>	<u>9,369</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		36,578	36,380
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(271)</u>	<u>(2,070)</u>
<b>NET ASSETS</b>		<u>36,307</u>	<u>34,310</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	73,519	73,519
Profit and loss account	16	<u>(37,212)</u>	<u>(39,209)</u>
<b>SHAREHOLDERS' FUNDS</b>	21	<u>36,307</u>	<u>34,310</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2010 and were signed on its behalf by



C A Hunt - Director

The notes on pages 9 to 16 form part of these financial statements



Notes to the Financial Statements  
for the Year Ended 31 December 2009

**1 ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable United Kingdom Accounting Standards. These accounting policies have been applied consistently throughout the year and the proceeding year.

**Cash Flow 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, Mondi plc.

**Turnover**

Turnover is the total amount receivable by the company for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

**Fixed assets**

Fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided to write off the cost or revalued amounts less estimated residual value, in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	3%
Plant and machinery	5% - 33%

No depreciation is provided on freehold land.

The Group has taken advantage of the transitional provisions of FRS 15 Tangible Fixed Assets and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. The properties were last revalued at June 1997 by Jones Lang Wootton, licensed agents and approved valuers, on the basis of existing use and the valuations have not subsequently been updated.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the actual purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

**1 ACCOUNTING POLICIES - continued**

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**Pensions**

**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 in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**Share-based payments**

The company has applied the requirements of FRS 20 "Share-based Payments".

The company's ultimate parent company, Mondi plc, issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

**Going concern**

Having reviewed the performance of the business and the plant's capacity to generate both profits and positive cash flows, and having reviewed the existing forecasts for the period to March 2011 the directors are of the opinion that the financial statements should continue to be drawn up on a going concern basis.

However, in the recent past, the directors, mindful that the current uncertain economic climate causes material uncertainty around the ability to forecast demand and contribution have also had the comfort of a commitment of continued support from the Mondi Group in the event that actual performance and cash flow generation fell short of forecasted levels.

As disclosed in note 20 it is expected that in the next few weeks the company will be sold and as part of that disposal process the existing directors will resign from the business. The existing directors are therefore unable to state whether there will be continued support from the new owners of the company in the event of performance and cash flow generation falling short of that currently forecast.

**2 TURNOVER**

The turnover and profit (2008 - loss) before taxation are attributable to the principal activities of the company.

**3 STAFF COSTS**

	31 12 09	31 12 08
	£'000	£'000
Wages and salaries	10,815	12,025
Social security costs	1,118	1,120
Other pension costs	393	415
	<u>12,326</u>	<u>13,560</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

**3 STAFF COSTS - continued**

The average monthly number of employees during the year was as follows

	31.12.09	31.12.08
Sales and administration	106	114
Production	<u>232</u>	<u>241</u>
	<u>338</u>	<u>355</u>

	31.12.09 £'000	31.12.08 £'000
Directors' remuneration	-	133
Directors' pension contributions to money purchase schemes	<u>-</u>	<u>5</u>

	31.12.09 £'000	31.12.08 £'000
Highest paid Director		
Directors' remuneration	-	133
Directors' pension contributions to money purchase schemes	<u>-</u>	<u>5</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>-</u>	<u>1</u>
------------------------	----------	----------

The directors' emoluments are paid out of Mondi Services UK Limited and as such are disclosed within that company. It is not practical to allocate this between services for this group company and other members of the group and has not been

**4 OPERATING PROFIT/(LOSS)**

The operating profit (2008 - operating loss) is stated after charging/(crediting)

	31.12.09 £'000	31.12.08 £'000
Other operating leases	484	377
Depreciation - owned assets	3,536	3,303
Loss on disposal of fixed assets	152	-
Fees payable to the company's auditors for the audit of the company's annual accounts	129	142
Restructuring costs	(258)	2,070
Foreign exchange losses	<u>31</u>	<u>78</u>

There are no fees payable to the Company's auditors in relation to non-audit services

**5 INTEREST RECEIVABLE AND SIMILAR INCOME**

	31.12.09 £'000	31.12.08 £'000
Interest receivable from group undertakings	<u>62</u>	<u>104</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	31 12 09	31 12 08
	£'000	£'000
Bank loans and overdrafts	30	119
Interest payable to group undertakings	<u>57</u>	<u>1,530</u>
	<u>87</u>	<u>1,649</u>

**7 TAXATION**

**Analysis of the tax charge/(credit)**

The tax charge/(credit) on the profit on ordinary activities for the year was as follows

	31 12 09	31 12 08
	£'000	£'000
Current tax		
UK corporation tax	-	-
Adjustments in respect of previous periods	<u>287</u>	<u>1,104</u>
	<u>287</u>	<u>1,104</u>
Deferred tax (note 13)		
Change in tax rate	-	192
Adjustment in respect of prior year	-	(1,158)
Originaung and reversal of timing differences	<u>-</u>	<u>(837)</u>
	<u>-</u>	<u>(1,803)</u>
Tax on profit/(loss) on ordinary activities	<u>287</u>	<u>(699)</u>

**Factors affecting the tax charge/(credit)**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	31 12.09	31 12 08
	£'000	£'000
Profit/(loss) on ordinary activities before tax	<u>2,284</u>	<u>(6,541)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 - 28.5%)	640	(1,864)
Effects of		
Permanent differences	-	35
Capital allowances for period in excess of depreciation	930	837
Losses carried forward	-	993
Adjustments to tax charge in respect of previous periods	287	1,103
Expenses not deductible for tax purposes	102	-
Movements in general provisions	(243)	-
Utilisation of tax losses b/f	<u>(1,429)</u>	<u>-</u>
Current tax charge/(credit)	<u>287</u>	<u>1,104</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

**8 TANGIBLE FIXED ASSETS**

	Freehold property £'000	Plant and machinery £'000	Totals £'000
<b>COST</b>			
At 1 January 2009	13,767	56,983	70,750
Additions	-	874	874
Disposals	-	(4,735)	(4,735)
At 31 December 2009	<u>13,767</u>	<u>53,122</u>	<u>66,889</u>
<b>DEPRECIATION</b>			
At 1 January 2009	4,255	39,484	43,739
Charge for year	365	3 171	3,536
Eliminated on disposal	-	(4,579)	(4,579)
At 31 December 2009	<u>4,620</u>	<u>38,076</u>	<u>42,696</u>
<b>NET BOOK VALUE</b>			
At 31 December 2009	<u>9,147</u>	<u>15,046</u>	<u>24,193</u>
At 31 December 2008	<u>9,512</u>	<u>17,499</u>	<u>27,011</u>

Included in cost of land and buildings is freehold land of £1,300,000 (2008 - £1,300,000) which is not depreciated

Freehold land and buildings	2009 £,000	2008 £,000
Historical Cost	<u>19,370</u>	<u>19,370</u>
Cumulative depreciation based on historical cost	<u>(9,781)</u>	<u>(9,200)</u>

Land and buildings were independently valued in June 1997 by Jones Lang Wootton, licensed agents and approved valuers, on the basis of existing use

**9 STOCKS**

	31 12 09 £'000	31 12 08 £'000
Raw materials	1,468	1,640
Work-in-progress	37	52
Finished goods	<u>568</u>	<u>508</u>
	<u>2,073</u>	<u>2,200</u>

There is no material difference between the balance sheet value of stocks and their replacement value

**10 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 12 09 £'000	31 12 08 £'000
Trade debtors	11,040	13,415
Amounts owed by group undertakings	147	3,663
Prepayments and accrued income	<u>340</u>	<u>873</u>
	<u>11,527</u>	<u>17,951</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 09	31 12 08
	£'000	£'000
Trade creditors	6,651	9,178
Amounts owed to group undertakings	1,568	27,303
Corporation tax	-	402
Social security and other taxes	576	672
Other creditors	1,376	298
Accruals and deferred income	<u>2,547</u>	<u>2,126</u>
	<u>12,718</u>	<u>39,979</u>

12 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	31 12 09	31 12 08
	£'000	£'000
Expiring		
Within one year	34	85
Between one and five years	<u>252</u>	<u>269</u>
	<u>286</u>	<u>354</u>

13 DEFERRED TAXATION

	31 12 09	31 12 08
	£'000	£'000
The provision for deferred tax comprises		
Accelerated capital allowances	-	1,316
Tax losses carried forward	-	(1,234)
Other timing differences	<u>-</u>	<u>(82)</u>
	<u>-</u>	<u>-</u>
	31 12 09	31 12 08
	£'000	£'000
At 1 January	-	1,803
Deferred tax charge in profit and loss account	<u>-</u>	<u>(1,803)</u>
At 31 December	<u>-</u>	<u>-</u>

A deferred tax asset amounting to £0.5m for capital losses has not been recognised because in the opinion of the directors there will be no suitable taxable gains available in the foreseeable future

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

14 PROVISIONS FOR LIABILITIES

	31 12 09	31 12 08
	£'000	£'000
Restructuring provisions	<u>271</u>	<u>2,070</u>
Aggregate amounts	<u>271</u>	<u>2,070</u>
		Restructuring Provision
		£'000
Balance at 1 January 2009		2,070
Provision released in period		(258)
Amounts applied		<u>(1,541)</u>
Balance at 31 December 2009		<u>271</u>

The restructuring provision is expected to be fully utilised in 2010

15 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			31 12 09	31 12 08
Number	Class.	Nominal value	£'000	£'000
73,519,084	Ordinary	£1	<u>73,519</u>	<u>73,519</u>

16 RESERVES

	Profit and loss account £'000
At 1 January 2009	(39,209)
Profit for the year	<u>1,997</u>
At 31 December 2009	<u>(37,212)</u>

17. PENSION COMMITMENTS

The company operate a defined contribution scheme The pension cost charge for the year represents contributions payable by the company to the fund and amount to £393,074 (2008 £414,973) There were no accrued contributions at the end of the year

18 ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking and controlling party is Mondi plc, a company which is incorporated in England and Wales Copies of the groups financial statements of Mondi plc are available from the Registrar of Companies House, Crown way, Maindy, Cardiff, CF14 3UZ

The Company's immediate parent undertaking is Mondi Packaging UK Holdings Limited

Mondi Packaging (UK) Ltd (Registered number 3051244)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2009

**19 RELATED PARTY DISCLOSURES**

As a wholly owned subsidiary of Mondi plc, the company is exempt from the requirement of FRS8 to disclose transactions with other members of the group headed by Mondi plc

**20 POST BALANCE SHEET EVENTS**

Smurfit Kappa Group have signed a contract in order to purchase the entire share capital of the company. The transaction is subject to the normal procedures and conditions attaching to such transactions. The transaction is likely to complete in May 2010.

On 12th March 2010 a resolution was passed to reduce the share capital by £65,000,000, this was supported by a solvency statement, by the sole shareholder of the company.

On 31st March 2010 a special dividend was paid of £12,700,000.

**21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 12 09	31 12 08
	£'000	£'000
Profit/(Loss) for the financial year	1,997	(5,842)
Capital contribution		
- Write off of intercompany balances	-	152
<b>Net addition/(reduction) to shareholders' funds</b>	<b>1,997</b>	<b>(5,690)</b>
Opening shareholders' funds	<u>34,310</u>	<u>40,000</u>
<b>Closing shareholders' funds</b>	<b><u>36,307</u></b>	<b><u>34,310</u></b>