

MONDI PACKAGING (UK) LIMITED

Report and Financial Statements

31 December 2002

Deloitte & Touche LLP
Nottingham



REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F T Allan
Z Prokopowicz
J Usher
P Oswald

SECRETARY

F T 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 2002.

ACTIVITIES

The company's principal activity is the manufacture and sale of packaging products.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

2002 was another difficult year for the industry and the company due to low levels of manufacturing output in the UK.

The short-term outlook is still for low growth requiring renewed focus on reducing costs. In the longer term, the business is well placed to continue its growth in the UK packaging industry.

DIVIDENDS AND TRANSFERS TO RESERVES

Details of the results for the year are shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2001: £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed below:

F T Allan	
Z Prokopowicz	(appointed 1 October 2002)
G D King	(resigned 2 September 2002)
J Usher	
P Oswald	

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

MARKET VALUE OF LAND AND BUILDINGS

In June 1997 the land and buildings were valued by an independent valuer on an existing use basis. The directors are of the opinion that there is no significant difference between the book carrying value of land and buildings and their market value.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political contributions during the year. Donations to UK charities amounted to £3,354 (2001: £nil).

EMPLOYEE INVOLVEMENT

The company has continued the practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities of disabled persons should be, as far as possible, identical to that of persons who do not suffer from a disability.

DIRECTORS' REPORT (continued)**PAYMENT POLICY AND PRACTICE**

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and to abide by them. Trade creditors at the year end amount to 65 days (2001: 66 days) of average supplies for the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the 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 the company's system of internal financial control and for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

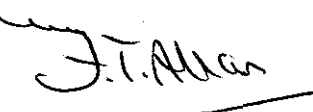
AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

The Company elected in a Board Meeting on 17 August 1999 to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

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

28 January 2004



F T Allan

Secretary

~~2003~~

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONDI PACKAGING (UK) LIMITED

We have audited the financial statements of Mondi Packaging (UK) Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historic cost profit and losses and the related notes 1 to 20. 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 2002 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

Nottingham

29 January 2004

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 As restated (note 4) £'000
TURNOVER	2	65,036	62,770
Cost of sales		(43,929)	(41,950)
GROSS PROFIT		21,107	20,820
Distribution costs		(6,011)	(6,211)
Administrative expenses		(12,601)	(14,024)
OPERATING PROFIT	3	2,495	585
Other interest receivable and similar income	6	95	218
Interest payable and similar charges	7	(1,531)	(3,617)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,059	(2,814)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	8	(273)	2,189
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		786	(625)
Retained loss brought forward		(14,641)	(14,016)
Retained loss carried forward		(13,855)	(14,641)

The above results arise from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2002

	2002 £'000	2001 As restated (note 4) £'000
Profit/(loss) for the financial year	1,059	(2,814)
Prior period adjustment (note 4)	(801)	-
Total recognised gains and losses since the last annual report	258	(2,814)

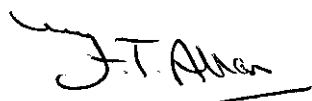
NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 December 2002

	2002 £'000	2001 As restated (note 4) £'000
Profit/(loss) on ordinary activities before taxation	1,059	(2,814)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(168)	(170)
Historical cost profit/(loss) on ordinary activities before taxation	891	(2,984)
Historical cost profit/(loss) for the year retained after taxation	618	(795)

BALANCE SHEET 31 December 2002

	Note	2002 £'000	2001 As restated (note 4) £'000
FIXED ASSETS			
Tangible fixed assets	9	37,968	40,671
CURRENT ASSETS			
Stocks	10	4,127	5,117
Debtors	11	20,270	16,020
Cash at bank and in hand		1,938	2,263
		<u>26,335</u>	<u>23,400</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(18,656)</u>	<u>(19,983)</u>
NET CURRENT ASSETS		<u>7,679</u>	<u>3,417</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		45,647	44,088
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(40,960)	(40,460)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(1,542)</u>	<u>(1,269)</u>
NET ASSETS		<u>3,145</u>	<u>2,359</u>
CAPITAL AND RESERVES			
Called up share capital	15	17,000	17,000
Profit and loss account		<u>(13,855)</u>	<u>(14,641)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	<u>3,145</u>	<u>2,359</u>

These financial statements were approved by the Board of Directors on 28 January 2004
Signed on behalf of the Board of Directors



F T Allan
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings.

The company is exempt from preparing consolidated financial statements as it is included in the consolidated financial statements of Anglo American plc, registered in England and Wales, drawn up to 31 December 2002.

Fixed assets and depreciation

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 company's policy is to carry all assets at historic cost, except freehold land and buildings which have been included in the balance sheet at a valuation existing on 31 December 2000 when the company implemented FRS15 for the first time.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Government grants

Grants of a revenue nature are credited to income in the period to which they relate.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss in equal annual amounts over the lease term.

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 respect of the accounting period.

Defined benefit pension scheme

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 schemes operated by the group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

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.

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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The company has adopted FRS19 deferred tax during the year.

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.

2. TURNOVER

Turnover is attributable to the company's principal activity, the manufacture and sale of packaging products carried out in the United Kingdom.

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):	2002 £'000	2001 £'000
Auditors' remuneration		
- Audit	56	18
- Other services	82	-
Depreciation and other amounts written off tangible fixed assets:		
- Owned	3,481	2,792
- Leased	498	498
(Profit)/loss on sale of fixed assets	(3)	75
Rentals payable under operating leases		
Hire of plant and machinery	439	568
Land and buildings	77	-
Rents receivable from property	(37)	(17)

NOTES TO THE ACCOUNTS Year ended 31 December 2002

4. PRIOR PERIOD ADJUSTMENT

Prior period comparatives have been restated due to the following changes in accounting policies during the year.

Stock

Stereos and Formes have been expensed to the profit and loss account, these items having previously been held within the raw materials and consumables stock balance. As a result, the comparative figure for stock has been restated from the previous reported balance of £5,918,000 to £5,117,000, as described below. This is as a result of a change in accounting policy across the Mondi Europe SA group. The impact on the current year result is an increase in administrative expenses of £758,000.

Deferred tax

The adoption of FRS 19, Deferred Tax, has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes, the comparatives have been restated as follows:

	Stock £	Admin expenses £	Deferred tax £	Profit and loss reserves £	Shareholders' funds £
Balance at 31 December 2001 as previously reported	5,918	(13,968)	-	(12,571)	4,429
Adoption of new policy at 1 January 2001	(745)	-	(3,458)	(4,203)	(4,203)
Adoption of new policy during the year ended 31 December 2001	(56)	(56)	2,189	2,133	2,133
Adoption of new policy at 31 December 2001	(801)	(56)	(1,269)	(2,070)	(2,070)
Balance at 31 December 2001 as restated	<u>5,117</u>	<u>(14,024)</u>	<u>(1,269)</u>	<u>(14,641)</u>	<u>2,359</u>

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2002 No	2001 No
Production	240	232
Sales and administration	110	111
	<u>350</u>	<u>343</u>

NOTES TO THE ACCOUNTS Year ended 31 December 2002

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

The aggregate payroll costs of these persons were as follows:

	2002 £'000	2001 £'000
Wages and salaries	11,414	10,035
Social security costs	1,140	1,039
Other pension costs	546	408
	<u>13,100</u>	<u>11,482</u>
Remuneration in respect of directors was as follows:		
Emoluments	482	359
Compensation for loss of office	202	-
Contributions paid to the defined contribution scheme	40	22
	<u>724</u>	<u>381</u>
Remuneration in respect of the highest paid director	366	146
Compensation for loss of office	202	-
Contributions paid to the defined contribution scheme	31	14
	<u>599</u>	<u>160</u>

The number of directors to whom retirement benefits accrued during the year under the company's defined contribution pension scheme in respect of qualifying services as a director of the company was 2 (2001: 2).

The emoluments of one former executive director in respect of his services to the company are paid by Pargold Management Company Limited. During the year ended 31 December 2002 management charges of £nil (2001: £116,748) were paid to Pargold Management Company Limited.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Interest - bank deposits	<u>95</u>	<u>218</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
On bank loans and overdrafts wholly repayable within five years	(1,533)	613
On group company loans	2,896	2,897
On group parent company loan	168	107
	<u>1,531</u>	<u>3,617</u>

NOTES TO THE ACCOUNTS Year ended 31 December 2002

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

a) Analysis of (charge)/credit in the year

	2002 £'000	Restated 2001 £'000
Current tax		
United Kingdom corporation tax at 30% (2001: 30%) (note 8b)	-	-
Deferred taxation		
Charge for timing differences arising in the year	(300)	548
Adjustment in respect of prior years	27	1,641
Total deferred tax charge	(273)	2,189
Tax on profit on ordinary activities	(273)	2,189

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. As a result, the comparative figure for the tax on profit on ordinary activities has been restated from the previously reported amount of £nil to a credit of £2,189,000. The impact on the current year results is a charge of £273,000.

b) Factors affecting tax charge for the year

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2001: 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.

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	1,059	(2,814)
Tax credit/(charge) on profit/(loss) on ordinary activities at standard rate	(318)	844
Effects of:		
Disallowable expenses	199	12
Capital allowances in excess of depreciation	399	(734)
Losses not utilised	(233)	-
Group relief not paid for	(57)	(122)
Total current tax (note 8a)	-	-

NOTES TO THE ACCOUNTS Year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 2002	13,566	48,610	62,176
Additions	1	1,275	1,276
Disposals	-	(65)	(65)
At 31 December 2002	<u>13,567</u>	<u>49,820</u>	<u>63,387</u>
Depreciation			
At 1 January 2002	1,676	19,829	21,505
Charge for the year	372	3,607	3,979
Elimination on disposals	-	(65)	(65)
At 31 December 2002	<u>2,048</u>	<u>23,371</u>	<u>25,419</u>
Net book value			
At 31 December 2002	<u>11,519</u>	<u>26,449</u>	<u>37,968</u>
At 31 December 2001	<u>11,890</u>	<u>28,781</u>	<u>40,671</u>

Land and buildings includes £1,300,000 (2001: £1,300,000) of land which has not been depreciated.

Particulars relating to revalued assets are given below:

	2002 £'000	2001 £'000
Land and buildings		
At 31 December 2002 existing use value	12,500	12,500
Aggregate depreciation thereon	(2,048)	(1,676)
Net book value	<u>10,452</u>	<u>10,824</u>
Historical cost of revalued assets	19,190	19,190
Aggregate depreciation based on historical cost	(5,892)	(5,352)
Historical cost net book value	<u>13,298</u>	<u>13,838</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

10. STOCKS

	2002 £'000	2001 As restated (Note 4) £'000
Raw materials and consumables	3,446	4,492
Work in progress	51	33
Finished goods and goods for resale	630	592
	<u>4,127</u>	<u>5,117</u>

11. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	12,832	12,014
Amounts owed by parent and fellow subsidiary undertakings	4,148	2,163
Other debtors	2,756	972
Prepayments and accrued income	534	871
	<u>20,270</u>	<u>16,020</u>

All amounts are due within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	12,152	13,413
Amounts owed to group undertakings (with no specific date for repayment)	2,290	584
Taxation and social security	1,408	448
Other creditors	382	790
Accruals and deferred income	2,424	4,748
	<u>18,656</u>	<u>19,983</u>

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

	2002 £'000	2001 £'000
Amounts owed to parent and fellow subsidiary undertakings	<u>40,960</u>	<u>40,460</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

14. PROVISIONS FOR LIABILITIES AND CHARGES

The movements on the deferred tax provision for the company are set out below:

	2002 £'000
At 1 January 2002 (as restated)	1,269
Profit and loss account charge	273
	<hr/>
At 31 December 2002	<u>1,542</u>

The amounts provided for deferred taxation are set out below:

	2002 £'000	Restated 2001 £'000
Difference between accumulated depreciation and amortisation and capital allowances	3,355	2,828
Other timing differences	(59)	(55)
Losses	(1,754)	(1,504)
	<hr/>	<hr/>
	<u>1,542</u>	<u>1,269</u>

The adoption of FRS 19, Deferred Tax has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes, the comparatives have been restated as described in note 4.

15. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
17,000 ordinary shares of £1 each	<u>17,000</u>	<u>17,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Opening equity shareholders' funds as previously reported	4,429	7,187
Prior period adjustment (note 4)	(2,070)	(4,203)
Opening shareholders' funds as restated	2,359	2,984
Profit/(loss) for the financial year as previously reported	786	(2,758)
Prior period adjustment (note 4)	-	2,133
Profit/(loss) for the financial year as restated	786	(625)
Closing equity shareholders' funds	3,145	2,359

17. COMMITMENTS

(a) Capital commitments. The company had capital commitments contracted for but not provided of £333,000 at 31 December 2002 (31 December 2001: Nil)

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

	2002		2001	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Within one year	-	93	-	61
Within two to five years	25	168	-	34
After five years	165	-	-	87
	190	261	-	182

NOTES TO THE ACCOUNTS Year ended 31 December 2002

18. 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 amounted to £469,000 (2001: £470,000). There were £208,000 accrued pension contributions at the end of the year (2001: £81,000)

Defined benefit scheme

The group has continued to account for pensions in accordance with SSAP 24.

The company is a member of the group scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 October 2001. The assumptions which have the most significant effect on the results of the valuation are as follows:

- pensionable salaries will increase by 6% per annum;
- the fund will earn an investment yield of 8% per annum;
- at retirement, the trustees will be able to purchase the required pensions at a yield of 6% per annum.

The most recent actuarial valuation showed that the value of the scheme's assets was £4,171,000 as at 1 October 2001 and that the actuarial value of the assets represented 86% of the benefits that had accrued to members, after allowing for expected future increase in earnings. The contribution rate is 16% of earnings.

The charge for the year amounted to £77,000 (2001: £62,000).

There were no contributions payable to the fund outstanding at 31 December 2002.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at October 1998 and updated by Friends Provident to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002. The assets and liabilities are not separately identifiable between the member companies of the scheme, the full scheme liability has therefore been disclosed below. Scheme assets are stated at their market value at 31 December 2002. As such, the scheme has been accounted for as a defined contribution scheme within the books of the company.

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

Valuation method	2002 Projected Unit	2001 Projected Unit
Discount rate	5.50%	6.25%
Increase in pensionable salaries	3.80%	3.90%
Increase in pensions in payment	3.00%	3.00%
Inflation assumption	2.40%	2.50%

NOTES TO THE ACCOUNTS Year ended 31 December 2002

18. PENSIONS (Continued)

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

	Long term expected rate of return	Value at 31 December 2002 £000	Long term expected rate of return	Value at 31 December 2001 £000
Equities	7.0%	-	7.0%	623
Cash	5.0%	680	-	-
Other	7.0%	7,137	7.0%	6,420
Total market value of assets		7,817		7,043
Present value of scheme liabilities		(10,715)		(6,049)
(Deficit)/Surplus in the scheme		(2,898)		994
Associated deferred tax asset/(liability)		869		(298)
Pension (liability)/asset		(2,029)		696
		31 December 2002 £000		31 December 2001 £000
Net assets				
Net assets excluding pension (liability)/asset		3,145		2,359
Pension (liability)/asset		(2,029)		696
Net (liabilities)/assets including pension (liability)/asset		1,116		3,055
Reserves				
Profit and loss reserve excluding pension (liability)/asset		(13,855)		(14,641)
Pension (liability)/asset		(2,029)		696
Profit and loss reserve including pension (liability)/asset		(15,884)		(13,945)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002
18. PENSIONS (Continued)
Analysis of the amount that would be charged to operating profit:

	2002 £'000
Current service cost	525

Analysis of the amount that would be credited to other finance income:

	2002 £'000
Expected return on pension scheme assets	492
Interest costs on scheme liabilities	(368)
Net return	124

Analysis of amount that would be recognised in statement of total recognised gains and losses:

	2002 £'000
Actual return less expected return on pension scheme assets	(299)
Experience gains and losses arising on the scheme liabilities	1,666
Changes in assumptions underlying the present value of the scheme liabilities	2,660
Actuarial deficit that would be recognised in statement of gains and losses	4,027

Movement in deficit during the year

	2002 £'000
Surplus in scheme at beginning of the year	994
Movement in year	
Contributions	536
Current service costs	(525)
Other finance income	124
Actuarial deficit	(4,027)
Deficit in scheme at end of year	(2,898)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

18. PENSIONS (Continued)

History of experience gains and losses	2002 £'000
Difference between the expected and actual return on scheme assets	
Amount (£'000)	299
Percentage of scheme assets	4.16%
Experience gains and losses on scheme liabilities	
Amount (£'000)	(1,666)
Percentage of the present value of the scheme liabilities	(15.55%)
Total amount recognised in statement of total recognised gains and losses	
Amount (£'000)	(4,027)
Percentage of the present value of the scheme liabilities	(37.59%)

19. RELATED PARTY TRANSACTIONS

As a wholly-owned subsidiary of Anglo American plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Anglo American plc.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTIES

The company's ultimate parent undertaking and controlling party is Anglo American plc, a company which is incorporated in the UK. 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 UK Holdings Limited.