

Company Registration No. 05916680

MONDI FINANCE plc

Report and Financial Statements

31 December 2012

REPORT AND FINANCIAL STATEMENTS 2012

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REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C A Hunt
A C W King
M A McHugh
J C Paterson

SECRETARY

C A Hunt

REGISTERED OFFICE

Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey KT15 2PG

BANKERS

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2012.

COMPANY NUMBER

05916680

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Mondi Finance plc (the "Company") is a wholly owned subsidiary of the Mondi Group ("the Group"), the ultimate parent company being Mondi plc.

The Company is a finance company with the principal activity being to provide financing and associated arrangements to companies within the Mondi group of companies. There have been no significant changes in the Company's principal activities during the year and the directors do not envisage any significant changes in the Company's activities in the foreseeable future.

The Company issued a €500 million, 8 year 3.375% Eurobond at the end of September 2012. The Company is able to issue further Eurobonds under its existing €1.5 billion EMTN programme subject to market conditions.

The Company's finance costs are discussed in the Group's Annual Report, which includes this Company. The Company's directors believe that further key performance indicators of the Company are neither necessary nor appropriate for an understanding of the development, performance or position of the business. This review does not therefore include information relating to environmental matters, employees or social and community issues.

PRINCIPAL RISKS AND UNCERTAINTIES

The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk and cash flow risk. The Company also enters into commodity contracts which are done on a back to back basis with other Group companies and as such it has no net exposure to commodity risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the only financial risks the directors consider relevant to this Company are currency and interest rate risk. The Company has entered into foreign currency swaps to hedge the foreign currency risk related to intercompany loans and other foreign exchange positions and interest rate swaps to hedge the Company's exposure to fluctuations in interest rates.

RESULTS AND DIVIDENDS

The Company made a loss of €28,597,769 (2011: profit of €27,482,763). The loss is principally driven by the fall in short-term interbank interest rates in euros, which reduced the income derived from loans made to subsidiaries charging interest based on these rates. Conversely the majority of the Company's debt incurs interest at fixed rates. No dividend was declared and paid in 2012 (2011: €570,000,000) on the recommendation of the directors. The directors have not recommended any further dividends.

Since the reporting date, changes have been made to the interest rates charged on the Company's intercompany loans as detailed in note 19 to the financial statements. The directors are not aware of any other significant events since the balance sheet date.

GOING CONCERN

The Company will continue to act in line with its principal business activities and continue to act as a financing company for the Group. As a result, the directors believe that the Company will continue to be a going concern into the foreseeable future and have adopted the going concern basis of accounting.

DIRECTORS' REPORT (continued)

The Company meets its funding requirements from a variety of sources including two Eurobonds and a syndicated five-year revolving credit facility expiring in April 2016. The availability of some facilities is dependent on the Group meeting certain financial covenants, all of which have been complied with. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate well within the level of its current facilities and related covenants.

After making enquiries, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS

The directors who held office during the year and to the date of this report were as follows:

C A Hunt
A C W King
M A McHugh
J C Paterson

The Company's ultimate parent company, Mondi plc, made qualifying third party indemnity provisions for the benefit of the directors which remain in force at the date of this report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- the director has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



C A Hunt
Secretary

12 March 2013

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONDI FINANCE plc

We have audited the financial statements of Mond Finance plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 19. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONDI FINANCE
plc (continued)**

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.



Edward Hanson, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

12 March 2013

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
Administrative expenses		(3,796)	(2,837)
OPERATING LOSS	3	(3,796)	(2,837)
Interest receivable and similar income	4	38,912	103,735
Interest payable and similar charges	5	(64,232)	(66,957)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(29,116)	33,941
Tax on profit/(loss) on ordinary activities	6	518	(6,458)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(28,598)	27,483
RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR	14	(28,598)	27,483

All amounts relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2012

	2012	2011
	€'000	€'000
(Loss)/profit for the financial year	(28,598)	27,483
Fair value gains/(losses) on cash flow hedges, net of amounts recycled to the profit and loss account	202	5,534
Deferred tax on fair value gains on cash flow hedges	-	(1,823)
TOTAL RECOGNISED (LOSSES)/GAINS	<u>(28,396)</u>	<u>31,194</u>

MONDI FINANCE plc

BALANCE SHEET
31 December 2012

	Notes	2012 €'000	2011 €'000
CURRENT ASSETS			
Other financial assets (derivatives)	8,10	3,489	8,275
Deferred tax assets	12	-	-
Debtors	7,8	1,975,033	1,128,010
Cash at bank and in hand	8	15,724	146,898
		1,994,246	1,283,183
CREDITORS: amounts falling due within one year			
Short term borrowings	9	(461,074)	(325,311)
Creditors	11	(28,675)	(32,291)
Other financial liabilities (derivatives)	9,10	(3,184)	(7,825)
		(492,933)	(365,427)
NET CURRENT ASSETS		1,501,313	917,756
CREDITORS: amounts falling due after one year			
Medium and long-term borrowings	9	(1,135,088)	(523,135)
Other financial liabilities (derivatives)	9,10	-	-
		(1,135,088)	(523,135)
NET ASSETS		366,225	394,621
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Cash flow hedge reserve	14	(1,013)	(1,215)
Profit and loss account	14	317,238	345,836
SHAREHOLDERS' FUNDS	14	366,225	394,621

These financial statements were approved by the Board of Directors on 12 March 2013

Signed on behalf of the Board of Directors



Director J C Paterson, 12 March 2013

COMPANY NUMBER: 05916680

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments where appropriate, and in accordance with applicable United Kingdom law and accounting standards (UKGAAP), adopting the following principal accounting policies which have been applied consistently through both the current and prior year.

After making enquiries, the directors have formed a judgement that at the time of approving the financial statements, and having considered the Company's forecasts and projections, there is a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements (as discussed in the Directors' report).

Foreign currency

Foreign currency transactions are translated into euros, Mondi Finance plc's functional and presentational currency, at the rates of exchange prevailing on the dates that transactions are entered into. Associated monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Gains and losses arising on foreign currency transactions and balances are recognised in the profit and loss account.

Current taxation

Current 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 taxation

Deferred taxation is provided in full on timing differences that 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 tax rates and law that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

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 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost, less any impairment.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the profit and loss account over the borrowing period using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012**1. ACCOUNTING POLICIES (continued)****Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or a shorter period where appropriate, to the net carrying amount on initial recognition.

Derivative financial instruments and hedge accounting

The Company enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risk. The Company's use of financial derivatives is governed by the Mondi Group's policies approved by the Mondi Group's board of directors, which provide written principles on the use of financial derivatives. The Company does not use derivative financial instruments for speculative purposes.

The Company also enters into derivative contracts to manage foreign exchange and commodity price risk for other Group Companies. All such derivatives are done on a back to back basis.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the balance sheet within 'other financial assets and liabilities'. Derivatives designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, even when their actual maturity is expected to be greater than one year.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in profit and loss and are classified within operating profit/loss or finance costs, depending on the type of risk that the derivative relates to and these classifications are consistently applied from year to year.

Cash flow hedges

The effective portion of the change in fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in equity are recognised in profit and loss in the same year in which the hedged item affects profit or loss.

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from remeasuring the associated derivative are also recognised in profit and loss.

Ineffective, expired, sold, terminated or exercised hedging instruments

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included immediately in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. DIRECTORS' REMUNERATION AND EMPLOYEES

None of the directors received any remuneration during the year (2011: none) in respect of their services to the Company.

The Company had no employees during the current year and prior year.

3. OPERATING LOSS

Operating loss is stated after charging

	2012	2011
	€'000	€'000
Mondi plc management fees	2,644	2,693
	<u>2,644</u>	<u>2,693</u>

Fees payable to the company's auditor for the audit of the company's annual accounts of €10,000 (2011: €10,000) have been borne by Mondi plc, the Company's ultimate parent company. No fees have been paid by the Company to the auditor for non audit services in either period.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012	2011
	€'000	€'000
From other group undertakings	38,589	103,429
From external parties	323	306
	<u>38,912</u>	<u>103,735</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	€'000	€'000
To parent company	-	1,254
To other group undertakings	11,105	13,813
Net foreign exchange loss	6,708	6,219
To external parties	46,419	45,671
	<u>64,232</u>	<u>66,957</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

6. TAXATION

	2012	2011
	€'000	€'000
Current tax charge at 24.5% (2011: 26.5%)	-	8,446
Overseas corporation tax	308	548
Prior year adjustment	(826)	(2,536)
	<u> </u>	<u> </u>
Total tax (credit)/charge on ordinary activities	(518)	6,458
	<u> </u>	<u> </u>

The Company's current tax rate equates to the United Kingdom statutory tax rate as calculated below:

	2012	2011
	€'000	€'000
(Loss)/profit on ordinary activities before taxation	(29,116)	33,941
Tax on (loss)/profit at statutory rate of 24.5% (2011: 26.5%)	(7,133)	8,994
Non deductible expenses	272	-
Tax loss carried forward	6,861	-
Withholding tax written off	308	-
Prior year adjustment	(826)	(2,536)
	<u> </u>	<u> </u>
Total tax (credit)/charge on ordinary activities	(518)	6,458
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

7. DEBTORS

	2012	2011
	€'000	€'000
Amounts owed by group undertakings	1,972,627	1,127,464
Interest receivable	1,857	256
Prepayments	257	277
Other receivables	292	13
	<u>1,975,033</u>	<u>1,128,010</u>

8. FINANCIAL ASSETS

Fair values of financial assets

The carrying value and fair value of financial assets are as follows:

	2012		2011	
	Fair values	Carrying	Fair values	Carrying
	€'000	values	€'000	values
		€'000		€'000
Debtors	1,975,033	1,975,033	1,128,106	1,128,010
Cash at bank and in hand	15,725	15,725	146,898	146,898
Other financial assets (derivatives)	3,489	3,489	8,275	8,275
	<u>1,994,247</u>	<u>1,994,247</u>	<u>1,283,279</u>	<u>1,283,183</u>

Fair values of derivatives are determined by reference to market prices where available, otherwise pricing or valuation models are applied to current market information to estimate their value. Fair values of other financial assets are determined by reference to quoted market prices for similar issues, where applicable, otherwise the directors consider that carrying value is a good approximation to fair value.

The differential between the fair value and carrying values is due to loans to Group undertakings at fixed rates of interest done on a back to back basis with a third party. Both the financial assets and the financial liabilities (see note 9) arising from this arrangement are recorded at nominal face value.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

8. FINANCIAL ASSETS (continued)

Currency and interest rate profile

The exposure of the Company's assets to interest rate and currency risk is as follows:

	Total €'000	Floating rate €'000	Fixed rate €'000	Non interest bearing €'000	Effective interest rate % of fixed rate assets	Weighted average years for which rate is fixed
2012						
Euro	1,464,096	1,464,096	-	-	-	-
Russian Rouble	81,547	81,547	-	-	-	-
Sterling	66,811	66,811	-	-	-	-
US \$	82,472	82,472	-	-	-	-
Czech Koruna	86,411	86,411	-	-	-	-
Polish Zloty	138,002	138,002	-	-	-	-
Swedish Krona	29,565	29,565	-	-	-	-
Other	41,854	41,854	-	-	-	-
Total (excluding derivatives)	1,990,758	1,990,758	-	-	-	-
Derivatives	3,489					
Total financial assets	1,994,247					
2011						
Euro	825,936	814,736	11,200	-	3.78	0.4
Russian Rouble	74,467	74,467	-	-	-	-
Sterling	75,881	75,881	-	-	-	-
US \$	76,284	76,284	-	-	-	-
Czech Koruna	81,480	81,480	-	-	-	-
Polish Zloty	74,306	74,306	-	-	-	-
Swedish Krona	31,007	31,007	-	-	-	-
Other	35,546	35,546	-	-	-	-
Total (excluding derivatives)	1,274,908	1,263,708	11,200	-	3.78	0.4
Derivatives	8,275					
Total financial assets	1,283,183					

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. FINANCIAL LIABILITIES

In 2012, the Company issued an eight year €500m bond paying a 3.375% fixed coupon. In 2011 the Company arranged a five year €750m multicurrency syndicated credit facility. In 2010 the Company issued a seven year €500m bond paying a 5.75% fixed coupon.

The multicurrency syndicated credit facility and the bonds are guaranteed by Mondy plc.

Fair values of financial liabilities

The carrying value and fair value of financial liabilities are as follows:

	2012		2011	
	Fair values €'000	Carrying values €'000	Fair values €'000	Carrying values €'000
Short term borrowings from group companies	446,019	446,019	311,375	311,375
External short term borrowing	15,055	15,055	14,032	13,936
Other creditors	28,675	28,675	32,291	32,291
Other financial liabilities (derivatives)	3,184	3,184	7,825	7,825
Non current external borrowings	1,235,435	1,135,088	538,495	523,135
	<u>1,728,368</u>	<u>1,628,021</u>	<u>904,018</u>	<u>888,562</u>

Fair value is determined by reference to quoted market prices for similar issues, where applicable; otherwise the directors consider that the carrying value is a good approximation to fair value.

In accordance with FRS25 "Financial Instruments: Presentation" and FRS26 "Financial Instruments: Recognition and Measurement", the borrowings are presented on an unhedged basis. The fair value of associated derivatives is recorded separately within 'Other financial assets (derivatives)' and 'Other financial liabilities (derivatives)' (see note 10).

In accordance with exemptions under FRS 29 "Financial Instrument Disclosures", the Company has not presented the full financial instruments disclosures required by the standard, as disclosures which comply with the standard are included in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. FINANCIAL LIABILITIES (continued)

Maturity profile

The maturity profile of the Company's borrowings at the balance sheet date was as follows, all liabilities are unsecured:

	Within 1 year or on demand €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	After 5 years €'000	Total €'000
2012					
Borrowings from group undertakings	446,019	-	-	-	446,019
Bond issues	-	-	493,676	497,543	991,219
Syndicated credit facility	-	-	116,406	-	116,406
Other external borrowings	5,668	5,534	13,426	8,503	33,131
Overdrafts	9,387	-	-	-	9,387
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings (excluding derivatives)	461,074	5,534	623,508	506,046	1,596,162
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2011					
Borrowings from group undertakings	311,375	-	-	-	311,375
Bond issues	-	-	-	487,561	487,561
Syndicated credit facility	-	-	-	-	-
Other external borrowings	13,936	5,473	16,418	13,683	49,510
Overdrafts	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings (excluding derivatives)	325,311	5,473	16,418	501,244	848,446
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. FINANCIAL LIABILITIES (continued)

Currency and interest rate profile

The exposure of the Company's liabilities to interest rate and currency risk is as follows:

	Total €'000	Floating rate borrowings €'000	Fixed rate borrowings €'000	Effective interest rate % of fixed rate borrowings	Weighted average years for which rate is fixed
2012					
Euro	1,340,768	340,768	1,000,000	4.56	6.0
Polish Zloty	9,169	9,169	-	-	-
Russian Rouble	36,839	36,839	-	-	-
Sterling	126,358	126,358	-	-	-
Swedish Krona	16,215	16,215	-	-	-
Other	66,813	66,813	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross borrowings (excl derivatives)	1,596,162	596,162	1,000,000	4.56	6.0
Derivatives	3,184				
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities ⁽¹⁾	<u>1,599,346</u>				
2011					
Euro	646,205	135,005	511,200	5.71	5.2
Sterling	110,200	110,200	-	-	-
US \$	38,310	38,310	-	-	-
Czech Koruna	24,211	24,211	-	-	-
Swiss Franc	15,060	15,060	-	-	-
Other	14,460	14,460	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross borrowings (excl derivatives)	848,446	337,246	511,200	5.71	5.2
Derivatives	7,825				
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities ⁽¹⁾	<u>865,271</u>				

⁽¹⁾ Excludes other creditors.

Undrawn committed borrowing facilities

The Group has a €750m multicurrency syndicated credit facility which matures on 14 April 2016, guaranteed by Mondi plc. As at 31 December 2012 €117m was drawn by Mondi Finance plc. As at 31 December 2011 the entire facility was undrawn.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

10. OTHER FINANCIAL ASSETS/LIABILITIES (DERIVATIVES)

In accordance with FRS 25 and 26, the fair values of all derivatives are separately recorded on the balance sheet within 'Other financial assets (derivatives)' and 'Other financial liabilities (derivatives)'. Derivatives which are designated as hedges are classified as current or non-current depending on their maturity. Derivatives not designated as hedges are classified as current. Derivatives are only used to hedge fluctuations in foreign currency rates and interest rates. They are not used for speculative purposes.

Foreign exchange risk

The Company uses currency spot, forward and swap transactions to limit the effects of movements in exchange rates on foreign currency denominated liabilities and assets.

Interest rate risk

The Company uses interest rate swap contracts to manage its exposure to interest rate fluctuations on a portion of its existing debt.

Non-hedge transactions

Where the Company has chosen not to designate derivatives as hedges, fair value changes are recognised through the profit and loss account and are classified within finance costs.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

10. OTHER FINANCIAL ASSETS/LIABILITIES (DERIVATIVES) (continued)

The fair value of the open derivative position at year end is as follows:

	Asset €'000	Liability €'000
2012		
Current derivatives		
Non hedge		
Forward exchange contracts	3,489	3,184
Interest rate swaps	-	-
Non current derivatives	-	-
Total derivatives	<u>3,489</u>	<u>3,184</u>
2011		
Current derivatives		
Non hedge		
Forward exchange contracts	8,275	3,174
Interest rate swaps	-	4,651
Non current derivatives	-	-
Total derivatives	<u>8,275</u>	<u>7,825</u>

11. CREDITORS

	2012 €'000	2011 €'000
Interest payable	26,638	22,437
Corporation tax (group relief payable)	-	8,446
Withholdings tax payable	1,467	1,397
Other accruals	570	12
	<u>28,675</u>	<u>32,291</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

12. DEFERRED TAX

	2012	2011
	€'000	€'000
At 1 January:	-	1,823
(Charged)/credited to the profit and loss account	-	-
(Charged)/credited directly to equity	-	(1,823)
	<u> </u>	<u> </u>
At 31 December	<u> </u>	<u> </u>

The Company has the following amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised.

	2012	2011
	€'000	€'000
Tax losses - trading		
Tax losses not recognised	28,006	-
Other unrecognised timing differences	1,013	1,215
	<u> </u>	<u> </u>
At 31 December	<u>29,019</u>	<u>1,215</u>

13. CALLED UP SHARE CAPITAL

	2012	2011
	Number	Number
Allotted, called up and full paid:		
Ordinary shares of €1 each	50,000,000	50,000,000
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called-up share capital €'000	Profit and loss account €'000	Cash flow hedge reserve €'000	Total €'000
2012				
At 1 January 2012	50,000	345,836	(1,215)	394,621
Capital reduction	-	-	-	-
Retained profit for the year	-	(28,598)	-	(28,598)
Dividends paid	-	-	-	-
Fair value gains on cash flow hedges, net of amounts recycled to the profit and loss account	-	-	202	202
Deferred tax	-	-	-	-
At 31 December 2012	<u>50,000</u>	<u>317,238</u>	<u>(1,013)</u>	<u>366,225</u>
2011				
At 1 January 2011	883,757	54,596	(4,926)	933,427
Capital reduction	(833,757)	833,757	-	-
Retained profit for the year	-	27,483	-	27,483
Dividends paid	-	(570,000)	-	(570,000)
Fair value gains on cash flow hedges, net of amounts recycled to the profit and loss account	-	-	5,534	5,534
Deferred tax	-	-	(1,823)	(1,823)
At 31 December 2011	<u>50,000</u>	<u>345,836</u>	<u>(1,215)</u>	<u>394,621</u>

A special resolution was passed at a General Meeting of the Company on 7th of October 2011 to reduce the share capital of the Company by 833,757,188 shares, in accordance with the provisions set out in the Companies Act 2006. The capital was transferred to distributable reserves upon reduction. The capital reduction was confirmed by the High Court of Justice (Chancery Division) on 2nd of November 2011 and registered by the Registrar of Companies on 3rd November 2011.

15. DIVIDENDS

	2012 €'000	2011 €'000
Dividend paid of Nil (2011:€11.40) per share	-	570,000

16. STATEMENT OF CASH FLOWS

The financial statements of the Mondi Group, whose consolidated accounts include the Company's results and are publicly available for the year ended 31 December 2012, contain a consolidated Cash Flow statement. Accordingly the Company has taken advantage of the exemption granted by FRS1, Cash Flow Statements (revised 1996), whereby it is not required to publish its own Cash Flow statement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

17. RELATED PARTIES

At 31 December 2012, as identified in note 18, Mondi plc was the Company's ultimate parent company. The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Mondi group companies.

18. ULTIMATE PARENT UNDERTAKING

The immediate parent company and controlling party is Mondi Investments Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Mondi Investments Limited may be obtained from the Directors, Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey KT15 2PG.

The ultimate parent company and ultimate controlling entity is Mondi plc, a company incorporated in Great Britain and registered in England and Wales. Mondi plc is the parent undertaking of the largest and smallest group which includes the Company and for which group accounts are prepared. Financial statements for Mondi plc may be obtained from the Company Secretary, Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey KT15 2PG.

19. POST BALANCE SHEET EVENTS

Since the reporting date, the Company's intercompany loan terms have been amended such that interest rates charged to borrowers are based on the average of the coupons paid on the Company's Eurobonds, rather than on short term interbank interest rates. All other things being equal, it is expected that this change will result in the Company breaking even in the future.

