

**Company Registration No. 05916680**

**MONDI FINANCE plc**  
**(formerly Mondi Finance Limited)**

**Report and Financial Statements**  
**31 December 2010**

**REPORT AND FINANCIAL STATEMENTS 2010**

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**REPORT AND FINANCIAL STATEMENTS 2010**

**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, 1<sup>st</sup> 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  
London

# MONDI FINANCE plc

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2010.

### COMPANY NUMBER

05916680

### RE-REGISTRATION

On 15 March 2010 the Company was re-registered from a private limited company to a public limited company and as a result changed its name from Mondi Finance Limited to Mondi Finance plc.

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Mondi Finance plc 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 established a €1.5 billion Euro Medium Term Note (EMTN) programme in March 2010 under which it successfully issued its inaugural €500 million, seven year 5.75% public Eurobond at the end of March 2010. The proceeds of the issuance were used to repay debt drawn under existing bank facilities. The Company is able to issue further Eurobonds under the EMTN programme subject to market conditions.

As shown in the Company's profit and loss account on page 7, the Company's net interest income increased by €30.5 million due to an improvement in loan margins. This has resulted in a profit after tax increasing from a loss of €4.7 million to a profit of €16.4 million.

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.

### 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 profit of €16,391,304 (2009: €4,670,240 loss). The directors do not recommend the payment of a dividend (2009: €nil).

The directors are not aware of any 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.

**DIRECTORS' REPORT (continued)**

The Company meets its funding requirements from a variety of sources including the Eurobond and the syndicated five-year revolving credit facility expiring in June 2012. 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 AUDITORS**

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 auditors 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.

**AUDITORS**

Deloitte LLP has expressed its willingness to continue in office as auditors 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

3 March 2011

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 AUDITORS' REPORT TO THE MEMBERS OF MONDI FINANCE plc**

We have audited the financial statements of Mondri Finance plc for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 18. 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.

### **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 2010 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.

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

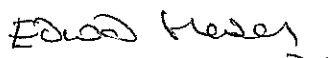
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' 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 Auditors  
London, United Kingdom

3 March 2011



**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2010**

	Notes	2010 €'000	2009 €'000
Administrative expenses		(2,677)	(2,549)
<b>OPERATING LOSS</b>	3	(2,677)	(2,549)
Interest receivable and similar income	4	109,172	83,909
Interest payable and similar charges	5	(81,061)	(86,331)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		25,434	(4,971)
Tax on profit/(loss) on ordinary activities	6	(9,043)	301
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		16,391	(4,670)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	15	16,391	(4,670)

All amounts relate to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2010**

	2010 €'000	2009 €'000
Profit/(loss) for the financial year	16,391	(4,670)
Fair value gains/(losses) on cash flow hedges, net of amounts recycled to the profit and loss account	15,414	(176)
Deferred tax on fair value losses on cash flow hedges	(4,382)	49
<b>TOTAL RECOGNISED GAINS/(LOSSES)</b>	<u>27,423</u>	<u>(4,797)</u>

**MONDI FINANCE plc**

**BALANCE SHEET**  
**31 December 2010**

	Notes	2010 €'000	2009 €'000
<b>NON CURRENT ASSETS</b>			
Loans to group undertakings	7,9	11,200	140,930
		<u>11,200</u>	<u>140,930</u>
<b>CURRENT ASSETS</b>			
Other financial assets (derivatives)	9,11	9,016	10,243
Deferred tax assets	13	1,823	7,597
Debtors	8,9	2,893,434	2,856,099
Cash at bank and in hand	9	27,928	6,263
		<u>2,932,201</u>	<u>2,880,202</u>
<b>CREDITORS: amounts falling due within one year</b>			
Short term borrowings	10	(1,359,153)	(1,191,704)
Creditors	12	(29,276)	(425)
Other financial liabilities (derivatives)	10,11	(14,303)	(32,818)
		<u>(1,402,732)</u>	<u>(1,224,947)</u>
<b>NET CURRENT ASSETS</b>			
		<u>1,529,469</u>	<u>1,655,255</u>
<b>CREDITORS: amounts falling due after one year</b>			
Medium and long-term borrowings	10	(601,143)	(872,853)
Other financial liabilities (derivatives)	10,11	(6,099)	(17,328)
		<u>(607,242)</u>	<u>(890,181)</u>
<b>NET ASSETS</b>			
		<u>933,427</u>	<u>906,004</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	883,757	883,757
Cash flow hedge reserve	15	(4,926)	(15,958)
Profit and loss account	15	54,596	38,205
		<u>933,427</u>	<u>906,004</u>
<b>SHAREHOLDERS' FUNDS</b>			
	15	<u>933,427</u>	<u>906,004</u>

These financial statements were approved by the Board of Directors on 3 March 2011

Signed on behalf of the Board of Directors



Director

COMPANY NUMBER: 05916680

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2010**

**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 (UK GAAP), adopting the following principal accounting policies which have been applied consistently through both the current and prior year.

The financial statements have been prepared on a going concern basis (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 2010**

**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.

## MONDI FINANCE plc

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

#### 2. DIRECTORS' REMUNERATION AND EMPLOYEES

None of the directors received any remuneration during the year (2009: 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

	2010	2009
	€'000	€'000
Mondi plc management fees	2,621	2,463

Fees payable to the company's auditor for the audit of the company's annual accounts of €10,000 (2009: €10,000) have been borne by Mondi plc, the Company's ultimate parent company. No fees have been paid by the Company to the auditors for non audit services.

#### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	€'000	€'000
From other group undertakings	109,002	83,718
From external parties	170	191
	<u>109,172</u>	<u>83,909</u>

#### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	€'000	€'000
To parent company	3,787	137
To other group undertakings	4,578	11,527
Net foreign exchange loss	14,393	36,794
To external parties	58,303	37,873
	<u>81,061</u>	<u>86,331</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**6. TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
Current tax charge at 28% (2009: 28%)	5,730	774
Overseas corporation tax	1,921	317
Deferred tax charge/(credit)	1,392	(1,392)
<b>Tax on profit/(loss) on ordinary activities</b>	<b>9,043</b>	<b>(301)</b>

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

	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
Profit/(loss) on ordinary activities before taxation	25,434	(4,971)
Tax on profit/(loss) at statutory rate of 28% (2009: 28%)	7,122	(1,392)
Tax loss (utilised)/carried forward	(1,392)	1,392
Withholding tax written off	-	317
Additional group relief paid	1,921	-
Foreign exchange differences	-	774
<b>Tax on profit on ordinary activities</b>	<b>7,651</b>	<b>1,091</b>

**7. LOANS TO GROUP UNDERTAKINGS**

	<b>At floating rates of interest €'000</b>	<b>At fixed rates of interest €'000</b>	<b>Total loans to group under- takings €'000</b>
Maturing within 1 year	9,104	120,626	129,730
Maturing within 1 – 2 years	-	11,200	11,200
<b>Total at 1 January 2010</b>	<b>9,104</b>	<b>131,826</b>	<b>140,930</b>
Maturing within 1 year	-	11,200	11,200
<b>Total at 31 December 2010</b>	<b>-</b>	<b>11,200</b>	<b>11,200</b>

All loans to group undertakings are to Mondi AG.

**MONDI FINANCE plc**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**8. DEBTORS**

	2010	2009
	€'000	€'000
Amounts owed by group undertakings	2,889,242	2,854,939
Interest receivable	3,915	1,160
Prepayments	277	-
	2,893,434	2,856,099

**9. FINANCIAL ASSETS**

**Fair values of financial assets**

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

	2010		2009	
	Fair values	Carrying values	Fair values	Carrying values
	€'000	€'000	€'000	€'000
Loans to group undertakings	11,543	11,200	143,381	140,930
Debtors	2,894,759	2,893,434	2,856,099	2,856,099
Cash at bank and in hand	27,928	27,928	6,263	6,263
Other financial assets (derivatives)	9,016	9,016	10,243	10,243
	2,943,246	2,941,578	3,015,986	3,013,535

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 10) arising from this arrangement are recorded at nominal face value.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**9. 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
<b>2010</b>						
Euro	2,362,027	2,230,201	131,826	-	2.90	0.8
Russian Rouble	160,886	160,886	-	-	-	-
Sterling	116,907	116,907	-	-	-	-
US \$	50,228	50,228	-	-	-	-
Czech Koruna	60,733	60,733	-	-	-	-
Polish Zloty	94,792	94,792	-	-	-	-
Swedish Krona	48,350	48,350	-	-	-	-
Other	38,639	38,639	-	-	-	-
<b>Total (excluding derivatives)</b>	<b>2,932,562</b>	<b>2,800,736</b>	<b>131,826</b>	<b>-</b>	<b>2.90</b>	<b>0.8</b>
Derivatives	9,016					
<b>Total financial assets</b>	<b>2,941,578</b>					
<b>2009</b>						
Euro	2,228,950	2,097,124	131,826	-	2.90	2.0
Russian Rouble	216,498	216,498	-	-	-	-
Sterling	165,641	165,641	-	-	-	-
US \$	35,776	35,776	-	-	-	-
Czech Koruna	108,753	108,753	-	-	-	-
Polish Zloty	154,527	154,527	-	-	-	-
Swedish Krona	43,096	43,096	-	-	-	-
Other	50,051	49,693	-	358	-	-
<b>Total (excluding derivatives)</b>	<b>3,003,292</b>	<b>2,871,108</b>	<b>131,826</b>	<b>358</b>	<b>2.90</b>	<b>2.0</b>
Derivatives	10,243					
<b>Total financial assets</b>	<b>3,013,535</b>					

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

10. FINANCIAL LIABILITIES

In 2007 the Company arranged a five year €1.55bn 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 bond are guaranteed by Mondy plc.

**Fair values of financial liabilities**

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

	2010		2009	
	Fair values €'000	Carrying values €'000	Fair values €'000	Carrying values €'000
Short term borrowings from group companies	1,227,390	1,227,390	1,179,814	1,179,814
External short term borrowing	133,088	131,763	11,890	11,890
Other creditors	29,276	29,276	425	425
Other financial liabilities (derivatives)	20,402	20,402	50,146	50,146
Non current external borrowings	601,486	601,143	875,184	872,853
	<u>2,011,642</u>	<u>2,009,974</u>	<u>2,117,459</u>	<u>2,115,128</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 11).

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 2010**

**10. 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:

	<b>Within 1 year or on demand €'000</b>	<b>Between 1 and 2 years €'000</b>	<b>Between 2 and 5 years €'000</b>	<b>After 5 years €'000</b>	<b>Total €'000</b>
<b>2010</b>					
Borrowings from group undertakings	1,227,390	-	-	-	1,227,390
Bond issues	-	-	-	491,224	491,224
Syndicated credit facility	-	98,719	-	-	98,719
Other external borrowings	129,730	11,200	-	-	140,930
Overdrafts	2,033	-	-	-	2,033
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total borrowings (excluding derivatives)</b>	<b>1,359,153</b>	<b>109,919</b>	<b>-</b>	<b>491,224</b>	<b>1,960,296</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>2009</b>					
Borrowings from group undertakings	1,179,814	-	-	-	1,179,814
Syndicated credit facility	-	-	731,923	-	731,923
Other external borrowings	-	129,730	11,200	-	140,930
Overdrafts	11,890	-	-	-	11,890
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total borrowings (excluding derivatives)</b>	<b>1,191,704</b>	<b>129,730</b>	<b>743,123</b>	<b>-</b>	<b>2,064,557</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**10. 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
<b>2010</b>					
Euro	1,845,688	1,213,862	631,826	5.15	5.2
Sterling	86,082	86,082	-	-	-
US \$	4,074	4,074	-	-	-
Czech Koruna	12,115	12,115	-	-	-
Swiss Franc	8,894	8,894	-	-	-
Other	3,443	3,443	-	-	-
<b>Gross borrowings (excl derivatives)</b>	<b>1,960,296</b>	<b>1,328,470</b>	<b>631,826</b>	<b>5.15</b>	<b>5.2</b>
Derivatives	20,402				
<b>Total financial liabilities <sup>(1)</sup></b>	<b>1,980,698</b>				
<b>2009</b>					
Euro	1,836,060	1,704,234	131,826	2.85	2.0
Sterling	100,641	100,641	-	-	-
US \$	8,426	8,426	-	-	-
Czech Koruna	61,347	61,347	-	-	-
Polish Zloty	48,726	48,726	-	-	-
Other	9,357	9,357	-	-	-
<b>Gross borrowings (excl derivatives)</b>	<b>2,064,557</b>	<b>1,932,731</b>	<b>131,826</b>	<b>2.85</b>	<b>2.0</b>
Derivatives	50,146				
<b>Total financial liabilities <sup>(1)</sup></b>	<b>2,114,703</b>				

<sup>(1)</sup> Excludes other creditors.

**Undrawn committed borrowing facilities**

The Group has a €1.55bn multicurrency syndicated credit facility which matures on 22 June 2012, guaranteed by Mondi plc. As at 31 December 2010 €100m (2009: €734m) was drawn by Mondi Finance plc and ZAR 200m (2009: €nil) by Mondi Limited.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2010**

**11. 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.

**MONDI FINANCE plc**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**11. OTHER FINANCIAL ASSETS/LIABILITIES (DERIVATIVES) (continued)**

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

	<b>Asset</b>	<b>Liability</b>
	<b>€'000</b>	<b>€'000</b>
<b>2010</b>		
<b>Current derivatives</b>		
Non hedge		
Forward exchange contracts	8,939	6,175
Energy swaps	77	98
Interest rate swaps	-	7,720
Basis rate swaps	-	310
<b>Non current derivatives</b>		
Cash flow hedge		
Interest rate swaps	-	6,099
<b>Total derivatives</b>	<b>9,016</b>	<b>20,402</b>
<b>2009</b>		
<b>Current derivatives</b>		
Non hedge		
Forward exchange contracts	6,949	19,831
Energy swaps	3,219	3,219
Pulp swaps	75	75
Basis rate swaps	-	165
Cash flow hedge		
Interest rate swaps	-	9,528
<b>Non current derivatives</b>		
Cash flow hedge		
Interest rate swaps	-	17,328
<b>Total derivatives</b>	<b>10,243</b>	<b>50,146</b>

**12. CREDITORS**

	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
Interest payable	21,768	403
Corporation tax (group relief payable)	5,730	-
Withholdings tax payable	1,337	-
Other accruals	441	22
	<b>29,276</b>	<b>425</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**13. DEFERRED TAX**

	2010	2009
	€'000	€'000
At 1 January:	7,597	6,156
(Charged)/credited to the profit and loss account	(1,392)	1,392
(Charged)/credited directly to equity	(4,382)	49
	<u>1,823</u>	<u>7,597</u>
At 31 December	<u>1,823</u>	<u>7,597</u>

The amount of deferred taxation provided in the accounts is presented as follows:

	2010	2009
	€'000	€'000
Tax losses	-	1,392
Other temporary differences	1,823	6,205
	<u>1,823</u>	<u>7,597</u>
Total deferred tax assets	<u>1,823</u>	<u>7,597</u>

**14. CALLED UP SHARE CAPITAL**

	2010	2009
	Number	Number
<b>Allotted, called up and full paid:</b>		
Ordinary shares of €1 each	883,757,188	883,757,188
	<u>883,757,188</u>	<u>883,757,188</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Called-up share capital €'000	Profit and loss account €'000	Cash flow hedge reserve €'000	Total €'000
<b>2010</b>				
At 1 January 2010	883,757	38,205	(15,958)	906,004
Retained profit for the year	-	16,391	-	16,391
Fair value losses on cash flow hedges, net of amounts recycled to the profit and loss account	-	-	15,414	15,414
Deferred tax	-	-	(4,382)	(4,382)
At 31 December 2010	<u>883,757</u>	<u>54,596</u>	<u>(4,926)</u>	<u>933,427</u>
<b>2009</b>				
At 1 January 2009	883,757	42,875	(15,831)	910,801
Retained loss for the year	-	(4,670)	-	(4,670)
Fair value losses on cash flow hedges, net of amounts recycled to the profit and loss account	-	-	(176)	(176)
Deferred tax	-	-	49	49
At 31 December 2009	<u>883,757</u>	<u>38,205</u>	<u>(15,958)</u>	<u>906,004</u>

**16. STATEMENT OF CASH FLOWS**

The financial statements of the Mondi Group, whose consolidate accounts include the Company's accounts and are publically available for the year ended 31 December 2010 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.

**17. RELATED PARTIES**

At 31 December 2010, 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, 1<sup>st</sup> 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, 1<sup>st</sup> Floor, Aviator Park, Station Road, Addlestone, Surrey KT15 2PG.