

Company registered no. 02915001

**Mondi Graphic Paper Holdings (UK)
Limited**

Annual report and financial statements

31 December 2011



Mondi Graphic Paper Holdings (UK) Limited

Annual report and financial statements 2011

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Mondi Graphic Paper Holdings (UK) Limited

Annual report and financial statements 2011

Officers and professional advisers

Directors

C A Hunt
A C W King
J C Paterson
P Wessels

Secretary

J L Peterkin

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

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

Mondi Graphic Paper Holdings (UK) Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2011. The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006.

Company registered number

02915001

Principal activity and future prospects

The Company is an investment holding company. The directors have the present intention of maintaining its business in its current form and believe the Company's future prospects to be satisfactory.

Going concern

The directors believe that the Company will continue to act as an investment holding company for the Mondi group. The Company's ultimate holding company, Mondi plc, has confirmed that it will provide continued support for the Company to meet its obligations as they fall due for a period of not less than 12 months from the signing of the Company's annual financial statements.

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.

Results and dividends

The loss for the year after tax was £13,381,428 (2010: £398). The directors do not recommend the payment of a dividend for the year (2010: nil).

The Company's investment in Mondi Paper (UK) Limited has been impaired by £13,380,451 following a reduction in the net asset value of Mondi Paper (UK) Limited.

Principal risks and uncertainties

The directors considered the risks attached to the Company's financial instruments, which principally comprise operating debtors, operating creditors and loans to and from other group companies. The directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the Company. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities and the financial statements.

The directors' policy on hedging is to hedge all financial risks where it is feasible and cost effective to do so. The Company had no hedged transactions during the year.

Directors

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

C A Hunt
A C W King
J C Paterson
P Wessels

Mondi Graphic Paper Holdings (UK) Limited

Directors' report (continued)

Statement as to disclosure of information to auditors

Each of the persons who is a director 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 steps that 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 auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and in accordance with the Companies Act 2006 are deemed to remain in office as auditors of the Company

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



J L Peterkin
Secretary

25 July 2012

Mondi Graphic Paper Holdings (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and 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 judgments and accounting estimates that are reasonable and prudent, 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 Graphic Paper Holdings (UK) Limited

We have audited the financial statements of Mondi Graphic Paper Holdings (UK) Limited for the year ended 31 December 2011 which comprise the Income statement, the Statement of financial position and the related notes 1 to 14. 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 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 auditor

As explained more fully in the Statement of directors' responsibilities, 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 2011 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 Graphic Paper Holdings (UK) Limited

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, or
- the directors were not entitled take advantage of the small companies exemption in preparing the directors' report



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

20th July 2012

Mondi Graphic Paper Holdings (UK) Limited

Income statement

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Operating expenses		(1,019)	(432)
Operating loss before special items	3	(1,019)	(432)
Non-operating special item	4	(13,380,451)	-
Total loss from operations		(13,381,470)	(432)
Interest received	5	42	53
Interest paid and similar charges	6	-	(19)
Loss on ordinary activities before taxation		(13,381,428)	(398)
Tax on profit on ordinary activities	7	-	-
Loss on ordinary activities after taxation	12	(13,381,428)	(398)
Retained loss for the year	12	(13,381,428)	(398)

All amounts derive from continuing operations

There are no recognised gains and losses for the current or preceding financial year other than the loss shown above and therefore no separate Statement of comprehensive income has been presented

Mondi Graphic Paper Holdings (UK) Limited

Statement of financial position

as at 31 December 2011

	Notes	2011 £	2010 £
Non current assets			
Investment in subsidiary	8	19,890,625	33,271,076
Current assets			
Trade and other receivables	9	38,000	38,945
Current liabilities			
Trade and other payables		(32)	-
Net current assets		37,968	38,945
Net assets		19,928,593	33,310,021
Equity			
Called up share capital	11	50,000	50,000
Share premium	12	33,205,446	33,205,446
Capital redemption reserve	12	16,625	16,625
Retained loss	12	(13,343,478)	37,950
Total equity		19,928,593	33,310,021

These financial statements were approved by the Board of Directors on 25 July 2012
Signed on behalf of the Board of Directors



Director J C Paterson

Company registered number 02915001

Mondi Graphic Paper Holdings (UK) Limited

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and in accordance with UK company law. The financial statements are prepared under the historical cost convention.

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, projections and support from the parent company, 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.

The particular accounting policies adopted are consistent with those adopted in the prior year and are described below.

Investments in subsidiaries

Investments in subsidiaries are held at cost, less provision for any impairment, where appropriate.

Taxation

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

Deferred tax is provided in full on timing differences which result in an obligation at the reporting 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 laws that have been enacted or substantively enacted by the reporting 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 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 flows

As the Company is a wholly-owned subsidiary, the cash flows of the Company are included in the consolidated cash flow statement of its parent undertaking, which is publically available. Consequently the Company is exempt under the provisions of Financial Reporting Standard 1 (Revised) – "Cash flow statements", from publishing a separate cash flow statement.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates of exchange prevailing at the reporting date. All exchange differences were accounted for in the Income statement.

2. Directors and employees

The Company had no employees during the year (2010: none). The directors receive no remuneration or emoluments from the Company (2010: nil).

Mondi Graphic Paper Holdings (UK) Limited

Notes to the financial statements

for the year ended 31 December 2011

3. Operating loss

The audit fee for the audit of the Company's financial statements of £ 3,000 (2009 £3,000) has been borne by Mondi plc in both years

4. Non-operating special item

	2011 £	2010 £
Impairment of investment in subsidiary	13,380,451	-

The Company's investment in Mondi Paper (UK) Limited was impaired following a reduction in the net asset value of Mondi Paper (UK) Limited

5. Interest received

	2011 £	2010 £
Interest received from group undertakings	42	53

Interest on amounts owing by group undertakings is charged at current market rates and amounts owing are payable on demand

6. Interest paid and similar charges

	2011 £	2010 £
Interest paid to group undertakings	-	(19)

Interest on amounts owing to group undertakings is earned at current market rates and amounts owing are payable on demand

7. Tax on loss on ordinary activities

The current tax assessed for both years differ from the standard rate of corporation tax in the UK. The differences are explained below

	2011 £	2010 £
Current tax		
Loss on ordinary activities before tax	(13,381,428)	(398)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	3,546,078	111
Effects of		
Non taxable interest	11	15
Financial asset impairments not deductible for tax purposes	(3,545,820)	-
Tax losses not recognised	(270)	(126)
Tax credit for the year	-	-

Mondi Graphic Paper Holdings (UK) Limited

Notes to the financial statements

for the year ended 31 December 2011

8. Investment in subsidiary

	2011 £	2010 £
Cost and net book value		
At 1 January	33,271,076	33,271,076
Impairments	(13,380,451)	-
At 31 December	<u>19,890,625</u>	<u>33,271,076</u>

The Company owns 100% of the ordinary share capital of Mondi Paper (UK) Limited, an investment holding company incorporated in Great Britain and registered in England and Wales

Group accounts are not presented as the Company is a wholly-owned subsidiary undertaking of Mondi plc, which is registered in England and Wales. Accordingly, these accounts present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared since the Company is exempt under section 400 of the Companies Act 2006

9. Trade and other receivables

	2011 £	2010 £
Amounts owed by group undertakings	38,000	38,340
Amounts owed by external parties	-	605
	<u>38,000</u>	<u>38,945</u>

Interest on amounts owing by group undertakings is earned at current market rates and amounts owing are payable on demand

10. Deferred tax

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

	2011 £	2010 £
Tax losses - revenue		
At 1 January	262,222	261,790
Tax losses not recognised	1,019	432
At 31 December	<u>263,241</u>	<u>262,222</u>

The tax losses have no expiry date as at 31 December 2011 (2010: none)

Mondi Graphic Paper Holdings (UK) Limited

Notes to the financial statements

for the year ended 31 December 2011

11. Called up share capital

	2011 £	2010 £
Called up, allotted and fully paid		
50,000 ordinary shares of £1 each (2010 50,000 ordinary shares of £1 each)	50,000	50,000

12. Reconciliation of movements in shareholders' funds

	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings / (loss) £	Total £
At 1 January 2010	50,000	33,205,446	16,625	38,348	33,310,419
Loss for the year	-	-	-	(398)	(398)
At 1 January 2011	50,000	33,205,446	16,625	37,950	33,310,021
Loss for the year	-	-	-	(13,381,428)	(13,381,428)
At 31 December 2011	50,000	33,205,446	16,625	(13,343,478)	19,928,593

13. Related party transactions

At 31 December 2011, as identified in note 14, 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.

14. Ultimate parent company

The immediate parent company and controlling party is Mondi Sarl, a company incorporated and registered in Luxembourg. The financial statements of Mondi Sarl can be obtained from the Directors, 7A, rue Robert Stumper, Luxembourg L-2557, Luxembourg.

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 financial statements are prepared.

The financial statements of Mondi plc can be obtained from the Company Secretary, Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey KT15 2PG.