

Company Registration No. 05916680

MONDI FINANCE LIMITED

Report and Financial Statements

31 December 2009

REPORT AND FINANCIAL STATEMENTS 2009

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REPORT AND FINANCIAL STATEMENTS 2009

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

Auditors

Deloitte LLP
Chartered Accountants
London

MONDI FINANCE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

COMPANY NUMBER: 05916680

PRINCIPAL ACTIVITY AND FUTURE PROSPECTS

The principal activity of the Company is to provide financing to companies within the Mondi Group. The directors have the present intention of maintaining its business and believe the Company's future prospects to be satisfactory.

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 Mondi Group. The Company's ultimate holding company, Mondi plc, will provide continued support for the Company to meet its obligations as they fall due. As a result, the directors believe that the entity will continue to be a going concern into the foreseeable future and have adopted the going concern basis of accounting.

RESULTS AND DIVIDENDS

The Company made a loss of €4,670,240 (2008: €28,235,122 profit). The directors do not recommend the payment of a dividend (2008: nil).

The directors are not aware of any significant events since the balance sheet date.

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 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.

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

MONDI FINANCE LIMITED

DIRECTORS' REPORT (continued)

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 auditors are 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 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



C A Hunt
Secretary

8 March 2010

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 LIMITED

We have audited the financial statements of Mondri Finance Limited for the year ended 31 December 2009 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended 31 December 2009;
- 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 LIMITED (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

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

10th March 2010

MONDI FINANCE LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2009

	Notes	2009 €'000	2008 €'000
Administrative expenses		(2,549)	(6,494)
OPERATING LOSS	3	<u>(2,549)</u>	<u>(6,494)</u>
Interest receivable and similar income	4	83,909	121,340
Interest payable and similar charges	5	<u>(86,331)</u>	<u>(78,285)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,971)	36,561
Tax on profit on ordinary activities	6	<u>301</u>	<u>(8,326)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(4,670)</u>	<u>28,235</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	15	<u><u>(4,670)</u></u>	<u><u>28,235</u></u>

All amounts relate to continuing operations.

MONDI FINANCE LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Year ended 31 December 2009

	2009	2008
	€'000	€'000
(Loss)/profit for the financial year	(4,670)	28,235
Fair value losses on cash flow hedges, net of amounts recycled to the profit and loss account	(176)	(19,872)
Deferred tax on fair value losses on cash flow hedges	49	6,156
TOTAL RECOGNISED (LOSS)/GAINS	<u>(4,797)</u>	<u>14,519</u>

MONDI FINANCE LIMITED

BALANCE SHEET
31 December 2009

	Notes	2009 €'000	2008 €'000
FIXED ASSETS			
Other financial assets (derivatives)	9,11	-	9,671
Loans to group undertakings	7,9	140,930	140,930
		<u>140,930</u>	<u>150,601</u>
CURRENT ASSETS			
Other financial assets (derivatives)	9,11	10,243	79,908
Deferred tax assets	13	7,597	6,156
Debtors	8,9	2,856,099	3,014,761
Cash at bank and in hand	9	6,263	44,873
		<u>2,880,202</u>	<u>3,145,698</u>
CREDITORS: amounts falling due within one year			
Short term borrowings	10	(1,191,704)	(1,381,328)
Creditors	12	(425)	(16,629)
Other financial liabilities (derivatives)	10,11	(32,818)	(27,885)
		<u>(1,224,947)</u>	<u>(1,425,842)</u>
NET CURRENT ASSETS			
		<u>1,655,255</u>	<u>1,719,856</u>
CREDITORS: amounts falling due after one year			
Medium and long-term borrowings	10	(872,853)	(927,946)
Other financial liabilities (derivatives)	10,11	(17,328)	(31,710)
		<u>(890,181)</u>	<u>(959,656)</u>
NET ASSETS			
		<u>906,004</u>	<u>910,801</u>
CAPITAL AND RESERVES			
Called up share capital	14	883,757	883,757
Cash flow hedge reserve	15	(15,958)	(15,831)
Profit and loss account	15	38,205	42,875
		<u>906,004</u>	<u>910,801</u>
SHAREHOLDERS' FUNDS			
	15	<u>906,004</u>	<u>910,801</u>

These financial statements were approved by the Board of Directors on 8 March 2010

Signed on behalf of the Board of Directors



Director

COMPANY NUMBER: 05916680

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

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, adopting the following principal accounting policies which have been applied consistently through both the current and prior year.

Accounting basis

The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of derivative financial instruments where appropriate.

Foreign exchange

Foreign currency transactions are translated into euros, Mondi 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 recorded 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 substantially 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 current tax rates and law. 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 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.

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 2009

1. ACCOUNTING POLICIES (continued)

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 Mondri Group's policies approved by the Mondri 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 period to period.

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 2009

2. DIRECTORS' REMUNERATION AND EMPLOYEES

None of the directors received any remuneration during the year (2008: nil) 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

	2009	2008
	€'000	€'000
Mondi plc management fees	2,463	1,586
Impairment of loan to Group undertaking	-	4,878
	<u>2,463</u>	<u>6,464</u>

Fees payable to the company's auditors for the audit of the company's annual accounts of €10,000 (2008: €10,000) has been borne by Mondi plc, the Company's ultimate parent company.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	€'000	€'000
From other group undertakings	83,718	120,924
From external parties	191	416
	<u>83,909</u>	<u>121,340</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	€'000	€'000
To parent company	137	741
To other group undertakings	11,527	15,378
Foreign exchange loss	36,794	18,132
To external parties	37,873	44,034
	<u>86,331</u>	<u>78,285</u>

MONDI FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

6. TAXATION

	2009	2008
	€'000	€'000
Current year charge at 28% (2008: 28.5%)	1,091	8,236
Deferred tax credit	(1,392)	-
Tax on profit on ordinary activities	<u>(301)</u>	<u>8,326</u>

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

	2009	2008
	€'000	€'000
(Loss)/profit on ordinary activities before taxation	(4,971)	36,561
Tax on profits at statutory rate of 28% (2008: 28.5%)	(1,392)	10,420
Tax loss carried forward	1,392	-
Non deductible expenses	-	1,390
Withholding tax written off	317	374
Prior year adjustment	-	(190)
Foreign exchange differences	774	(3,668)
Tax on profit on ordinary activities	<u>1,091</u>	<u>8,326</u>

7. LOANS TO GROUP UNDERTAKINGS

	Mondi Packaging AG €'000	Total loans to group under- takings €'000
At 1 January 2008	140,930	140,930
At 31 December 2009	<u>140,930</u>	<u>140,930</u>

MONDI FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

8. DEBTORS

	2009	2008
	€'000	€'000
Amounts owed by group undertakings	2,854,939	3,014,761
Interest receivable	1,160	-
	<u>2,856,099</u>	<u>3,014,761</u>

9. FINANCIAL ASSETS

Fair values of financial assets

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

	2009		2008	
	Fair values	Carrying values	Fair values	Carrying values
	€'000	€'000	€'000	€'000
Loans to group undertakings	143,381	140,930	141,398	140,930
Debtors	2,856,099	2,856,099	3,014,661	3,014,761
Cash at bank and in hand	6,263	6,263	44,873	44,873
Other financial assets (derivatives)	10,243	10,243	89,579	89,579
	<u>3,015,986</u>	<u>3,013,535</u>	<u>3,290,511</u>	<u>3,290,143</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 carrying values are used as an 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 3rd 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 2009

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
2009						
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	-	-
Total (excluding derivatives)	3,003,292	2,871,108	131,826	358	2.90	2.0
Derivatives	10,243					
Total financial assets	3,013,535					
2008						
Euro	2,313,822	2,111,996	201,826	-	2.69	2.1
Russian Rouble	274,852	274,852	-	-	-	-
Sterling	173,936	173,936	-	-	-	-
US \$	89,720	89,720	-	-	-	-
Czech Koruna	95,656	95,656	-	-	-	-
Polish Zloty	81,972	81,972	-	-	-	-
Swedish Krona	86,356	86,356	-	-	-	-
Other	84,250	83,879	-	371	-	-
Total (excluding derivatives)	3,200,564	2,998,367	201,826	371	2.69	2.1
Derivatives	89,579					
Total financial assets	3,290,143					

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

10. FINANCIAL LIABILITIES

In 2007 the Company arranged a five year €1.55bn multicurrency syndicated credit facility. The facility is guaranteed by Mondi plc.

Fair values of financial liabilities

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

	2009		2008	
	Fair values	Carrying values	Fair values	Carrying values
	€'000	€'000	€'000	€'000
Short term borrowings from group companies	1,179,814	1,179,814	1,303,209	1,303,209
External short term borrowing	11,890	11,890	78,019	78,119
Other creditors	425	425	16,629	16,629
Other financial liabilities (derivatives)	50,146	50,146	59,595	59,595
Non current external borrowings	875,184	872,853	928,414	927,946
	<u>2,117,459</u>	<u>2,115,128</u>	<u>2,385,866</u>	<u>2,385,498</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 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 2009

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:

	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
2009					
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
	<u>1,191,704</u>	<u>129,730</u>	<u>743,123</u>	<u>-</u>	<u>2,064,557</u>
Total borrowings (excluding derivatives)	<u>1,191,704</u>	<u>129,730</u>	<u>743,123</u>	<u>-</u>	<u>2,064,557</u>
2008					
Borrowings from group undertakings	1,303,209	-	-	-	1,303,209
Syndicated credit facility	-	-	787,016	-	787,016
Other external borrowings	70,000	-	140,930	-	210,930
Overdrafts	8,119	-	-	-	8,119
	<u>1,381,328</u>	<u>-</u>	<u>927,946</u>	<u>-</u>	<u>2,309,274</u>
Total borrowings (excluding derivatives)	<u>1,381,328</u>	<u>-</u>	<u>927,946</u>	<u>-</u>	<u>2,309,274</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

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
2009					
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	-	-	-
	<u>2,064,557</u>	<u>1,932,731</u>	<u>131,826</u>	<u>2.85</u>	<u>2.0</u>
Gross borrowings (excl derivatives)	2,064,557	1,932,731	131,826	2.85	2.0
Derivatives	50,146				
Total financial liabilities ⁽¹⁾	<u>2,114,703</u>				
2008					
Euro	2,130,984	1,929,157	201,826	2.64	2.1
Sterling	87,121	87,121	-	-	-
US \$	46,468	46,468	-	-	-
Czech Koruna	14,226	14,226	-	-	-
Swedish Krona	23,240	23,240	-	-	-
Other	7,235	7,235	-	-	-
	<u>2,309,274</u>	<u>2,107,447</u>	<u>201,826</u>	<u>2.64</u>	<u>2.1</u>
Gross borrowings (excl derivatives)	2,309,274	2,107,447	201,826	2.64	2.1
Derivatives	59,595				
Total financial liabilities ⁽¹⁾	<u>2,368,869</u>				

⁽¹⁾ Excludes other creditors.

Undrawn committed borrowing facilities

The Company has a €1.55bn multicurrency syndicated credit facility which matures on 22 June 2012. As at 31 December 2009 €816m (2008: €760m) was undrawn.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

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

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

	Asset	Liability
	€'000	€'000
2009		
Current derivatives		
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
Non current derivatives		
Cash flow hedge		
Interest rate swaps	-	17,328
Total derivatives	10,243	50,146
2008		
Current derivatives		
Non hedge		
Forward exchange contracts	71,274	14,765
Energy swaps	5,543	5,543
Pulp swaps	3,091	3,091
Interest rate swaps	-	1,022
Basis rate swaps	-	3,464
Non current derivatives		
Cash flow hedge		
Energy swaps	9,671	9,671
Interest rate swaps	-	22,039
Total derivatives	89,579	59,595

12. CREDITORS

	2009	2008
	€'000	€'000
Interest payable	403	817
Corporation tax (group relief payable)	-	14,226
Other accruals	22	1,586
	425	16,629

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

13. DEFERRED TAX

	2009	2008
	€'000	€'000
At 1 January:	6,156	-
Credited to the profit and loss account	1,392	-
Charged directly to equity	49	6,156
	<u>7,597</u>	<u>6,156</u>
At 31 December	<u>7,597</u>	<u>6,156</u>

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

	2009	2008
	€'000	€'000
Other temporary differences	<u>7,597</u>	<u>6,156</u>
Total deferred tax assets	<u>7,597</u>	<u>6,156</u>

14. CALLED UP SHARE CAPITAL

	2009	2008
	Number	Number
Allotted, called-up and full paid:		
Ordinary shares of €1 each	<u>883,757,188</u>	<u>883,757,188</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital €'000	Profit and loss account €'000	Cash flow hedge reserve €'000	Total €'000
2009				
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
	<u>883,757</u>	<u>38,205</u>	<u>(15,958)</u>	<u>906,004</u>
At 31 December 2009	<u>883,757</u>	<u>38,205</u>	<u>(15,958)</u>	<u>906,004</u>
2008				
At 1 January 2008	883,757	14,640	(2,115)	896,282
Retained profit for the year	-	28,235	-	28,235
Fair value losses on cash flow hedges, net of amounts recycled to the profit and loss account	-	-	(19,872)	(19,872)
Deferred tax	-	-	6,156	6,156
	<u>883,757</u>	<u>42,875</u>	<u>(15,831)</u>	<u>910,801</u>
At 31 December 2008	<u>883,757</u>	<u>42,875</u>	<u>(15,831)</u>	<u>910,801</u>

16. STATEMENT OF CASH FLOWS

The financial statements of the Mondi Group for the year ended 31 December 2009 contain a consolidated Cash Flow statement. Accordingly the Company has taken advantage of the exemption granted by FRS1, Cash Flow Statements (revised), whereby it is not required to publish its own Cash Flow statement.

17. RELATED PARTIES

At 31 December 2009, 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.