Company Registration No. 05916680

MONDI FINANCE plc

Report and Financial Statements

31 December 2011

REPORT AND FINANCIAL STATEMENTS 2011

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REPORT AND FINANCIAL STATEMENTS 2011

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 Auditors
London

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011.

COMPANY NUMBER

05916680

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 concluded a new Syndicated 5 year EUR 750m Revolving Credit Facility (RCF) in April 2011, which matures on 14 April 2016. The RCF refinances the €1.55 billion Syndicated Revolving Credit Facility which was due to mature on 22 June 2012 and which has since been cancelled. Interest is charged on the balance outstanding at market-related rates linked to LIBOR.

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 profit of €27,482,763 (2010: €16,391,304). A dividend of €570,000,000 (2010: €nil) was declared and paid in 2011 on the recommendation of the directors. The directors have not recommended any further dividends.

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 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 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

8 March 2012

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 Mondi Finance plc for the year ended 31 December 2011 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 2011 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

8 March 2012

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
Administrative expenses		(2,837)	(2,677)
OPERATING LOSS	3	(2,837)	(2,677)
Interest receivable and similar income	4	103,735	109,172
Interest payable and similar charges	5	(66,957)	(81,061)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		33,941	25,434
Tax on profit/(loss) on ordinary activities	6	(6,458)	(9,043)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		27,483	16,391
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	15	27,483	16,391

All amounts relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2011

	2011 €'000	2010 €'000
Profit/(loss) for the financial year	27,483	16,391
Fair value gains/(losses) on cash flow hedges, net of amounts recycled to the profit and loss account	5,534	15,414
Defered tax on fair value gains on cash flow hedges	(1,823)	(4,382)
TOTAL RECOGNISED GAINS/(LOSSES)	31,194	27,423

BALANCE SHEET
31 December 2011

	Notes	2011 €'000	2010 €'000
NON CURRENT ASSETS			
Loans to group undertakings	7,9	-	11,200
		-	11,200
CURRENT ASSETS			
Other financial assets (derivatives)	9,11	8,275	9,016
Deferred tax assets	13	-	1,823
Debtors	8,9	1,128,010	2,893,434
Cash at bank and in hand	9	146,898	27,928
		1,283,183	2,932,201
CREDITORS: amounts falling due within one year			
Short term borrowings	10	(325,311)	(1,359,153)
Creditors	12	(32,291)	(29,276)
Other financial liabilities (derivatives)	10,11	(7,825)	(14,303)
		(365,427)	(1,402,732)
NET CURRENT ASSETS		917,756	1,529,469
CREDITORS: amounts falling due after one year			
Medium and long-term borrowings	10	(523,135)	(601,143)
Other financial liabilities (derivatives)	10,11	-	(6,099)
		(523,135)	(607,242)
NET ASSETS		394,621	933,427
CAPITAL AND RESERVES			
Called up share capital	14	50,000	883,757
Cash flow hedge reserve	15	(1,215)	(4,926)
Profit and loss account	15	345,836	54,596
SHAREHOLDERS' FUNDS	15	394,621	933,427

These financial statements were approved by the Board of Directors on 8 March 2012

Signed on behalf of the Board of Directors

Patel

Director

COMPANY NUMBER: 05916680

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

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 2011

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 nonfinancial 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 2011

2. DIRECTORS' REMUNERATION AND EMPLOYEES

None of the directors received any remuneration during the year (2010: 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

	2011 €'000	2010 €'000
Mondi plc management fees	2,693	2,621

Fees payable to the company's auditor for the audit of the company's annual accounts of €10,000 (2010: €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 in either period.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 €'000	2010 €'000
From other group undertakings	103,429	109,002
From external parties	306	170
	103,735	109,172

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 €'000	2010 €'000
To parent company	1,254	3,787
To other group undertakings	13,813	4,578
Net foreign exchange loss	6,219	14,393
To external parties	45,671	58,303
	66,957	81,061

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

6. TAXATION

	2011 €'000	2010 €'000
Current tax charge at 26.5% (2010: 28%)	8,446	5,730
Overseas corporation tax	548	1,921
Prior year adjustment	(2,536)	
Deferred tax charge/(credit)	-	1,392
Tax on profit/(loss) on ordinary activities	6,458	9,043

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

	2011 €'000	2010 €'000
Profit/(loss) on ordinary activities before taxation	33,941	25,434
Tax on profit/(loss) at statutory rate of 26.5% (2010: 28%)	8,994	7,122
Tax loss (utilised)/carried forward	-	(1,392)
Withholding tax written off	-	1921
Prior year adjustment	(2,536)	-
Tax on profit on ordinary activities	6,458	7,651

7. LOANS TO GROUP UNDERTAKINGS

	At floating rates of interest €'000	At fixed rates of interest €'000	Total loans to group under-takings €'000
Maturing within 1 year	-	11,200	11,200
Total at 1 January 2011	-	11,200	11,200
Maturing within 1 year	-	-	-
Total at 31 December 2011	-	-	-

All loans to group undertakings are to Mondi AG. Interest rates are included in note 9.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

8. DEBTORS

	2011 €'000	2010 €'000
Amounts owed by group undertakings	1,127,464	2,889,242
Interest receivable	256	3,915
Prepayments	277	277
Other receivables	13	-
	1,128,010	2,893,434

9. FINANCIAL ASSETS

Fair values of financial assets

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

	2011		2010	
	Fair values €'000	Carrying values €'000	Fair values €'000	Carrying values €'000
Loans to group undertakings	-	-	11,543	11,200
Debtors	1,128,106	1,128,010	2,894,759	2,893,434
Cash at bank and in hand	146,898	146,898	27,928	27,928
Other financial assets (derivatives)	8,275	8,275	9,016	9,016
	1,283,279	1,283,183	2,943,246	2,941,578

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 2011

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
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**	**0.6**
Derivatives	8,275					
Total financial assets	**1,283,183**					
2010						
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	-	-	-	-
Total (excluding derivatives)	**2,932,562**	**2,800,736**	**131,826**	**-**	**2.90**	**0.8**
Derivatives	9,016					
Total financial assets	**2,941,578**					

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

10. FINANCIAL LIABILITIES

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 bond are guaranteed by Mondi plc.

Fair values of financial liabilities

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

	2011		2010	
	Fair values €'000	Carrying values €'000	Fair values €'000	Carrying values €'000
Short term borrowings from group companies	311,375	311,375	1,227,390	1,227,390
External short term borrowing	14,032	13,936	133,088	131,763
Other creditors	32,291	32,291	29,276	29,276
Other financial liabilities (derivatives)	7,825	7,825	20,402	20,402
Non current external borrowings	538,495	523,135	601,486	601,143
	904,018	888, 562	2,011,642	2,009,974

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 2011

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
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	-	-	-	-	-
Total borrowings (excluding derivatives)	**325,311**	**5,473**	**16,418**	**501,244**	**848,446**
2010					
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
Total borrowings (excluding derivatives)	**1,359,153**	**109,919**	**-**	**491,224**	**1,960,296**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

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
2011					
Euro	646,205	135,005	511,200	5.71	5.2
Polish Zloty	110,200	110,200	-	-	-
Russian Rouble	38,310	38,310	-	-	-
Sterling	24,211	24,211	-	-	-
Swidish Krona	15,060	15,060	-	-	-
Other	14,460	14,460	-	-	-
Gross borrowings (excl derivatives)	**848,446**	**337,246**	**511,200**	**5.71**	**5.2**
Derivatives	7,825				
Total financial liabilities [1]	**865,271**				
2010					
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	-	-	-
Gross borrowings (excl derivatives)	**1,960,296**	**1,328,470**	**631,826**	**5.15**	**5.2**
Derivatives	20,402				
Total financial liabilities [1]	**1,980,698**				

[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 2011 the entire facility was undrawn. At 31 December 2010 €100m was drawn by Mondi Finance plc and ZAR 200m by Mondi Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

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

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

	Asset €'000	Liability €'000
2011		
Current derivatives		
Non hedge		
Forward exchange contracts	8,275	3,174
Interest rate swaps	-	4,651
Non current derivatives	-	-
Total derivatives	8,275	7,825
2010		
Current derivatives		
Non hedge		
Forward exchange contracts	8,939	6,175
Energy swaps	77	98
Interest rate swaps	-	7,720
Basis rate swaps	-	310
Non current derivatives		
Cash flow hedge		
Interest rate swaps	-	6,099
Total derivatives	9,016	20,402

12. CREDITORS

	2011 €'000	2010 €'000
Interest payable	22,437	21,768
Corporation tax (group relief payable)	8,446	5,730
Withholdings tax payable	1,397	1,337
Other accruals	12	441
	32,291	29,276

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

13. DEFERRED TAX

	2011 €'000	2010 €'000
At 1 January:	1,823	7,597
(Charged)/credited to the profit and loss account	-	(1,392)
(Charged)/credited directly to equity	(1,823)	(4,382)
At 31 December	-	1,823

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

	2011 €'000	2010 €'000
Other temporary differences	-	1,823
Total deferred tax assets	-	1,823

14. CALLED UP SHARE CAPITAL

	2011 Number	2010 Number
Allotted, called up and full paid:		
Ordinary shares of €1 each	50,000,000	883,757,188

A special resolution was passed at a General Meeting of the Company on 7th of October 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 distributal 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called-up share capital €'000	Profit and loss account €'000	Cash flow hedge reserve €'000	Total €'000
2011				
At 1 January 2010	**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	**50,000**	**345,836**	**(1,215)**	**394,621**
2010				
At 1 January 2010	**883,757**	**38,205**	**(15,958)**	**906,004**
Retained profit for the year	-	16,391	-	16,391
Fair value gains 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	**883,757**	**54,596**	**(4,926)**	**933,427**

16. DIVIDENDS

	2011 €'000	2010 €'000
Dividend paid of €11.40 (2010: Nil) per share	570,000	-

17. 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 2011, 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.

18. RELATED PARTIES

At 31 December 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

19. 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.