Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)
Annual report and financial statements
for the year ended 31 December 2010

Registered number 3051244

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Annual report and financial statements for the year ended 31 December 2010

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Directors and advisors
for the year ended 31 December 2010

Directors

C A Hunt (resigned 4th May 2010)

J H A R Schoonbrood (resigned 4th May 2010)

P McNeill (appointed 4th May 2010)

C Bowers (appointed 4th May 2010)

Secretary

G P Fenwick (resigned 4th May 2010)

N Pritchard (appointed 4th May 2010)

Registered office

3rd Floor
Cunard Building
Water Street
Liverpoool
L3 1SF

Registered number

3051244

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Exchange House
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes
MK9 2DF

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Directors' report
for the year ended 31 December 2010

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

Principal activities

The company's principal activity during the year continued to be the manufacture of corrugated board and corrugated board cases There have not been any significant changes in the company's principal activities in the year under review

Review of business

On 4 May 2010 Smurfit Kappa UK Limited acquired the corrugated interests of Mondi Plc for a consideration of £39 0 million (including directly attributable costs of acquisition) by acquiring all the issued share capital of Smurfit Kappa Corrugated Limited (formerly Mondi Packaging (UK) Limited) and Smurfit Kappa GB Limited (formerly Mondi Packaging (GB) Limited)

For the remainder of 2010 the company has concentrated on converting to and adopting the control processes of the Smurfit Kappa Group Synergies have been identified and plans are underway to ensure these opportunities are maximised On 1 January 2011 the trade, assets and liabilities of this company were hived up to Smurfit Kappa UK Limited at net book value

During 2010 the company faced large increase in its raw material and energy costs due to international pressures

Capital reduction

During the year the company undertook a capital restructure in the manner permitted by the Companies Act 2006 The issued ordinary share capital was reduced by £65 million The reserve established by the cancellation and extinguishment of the shares has been treated as distributable in accordance with the Companies Act 2006

Results and Dividends

The profit for the year amounts to £877,000 (2009 profit of £1,997,000) During the year the directors approved a special dividend of £12,700,000 which was paid on 31 March 2010 There were no other dividends paid in 2010 and none were paid in 2009

Directors' report
for the year ended 31 December 2010 (continued)

Key performance indicators

The directors of Smurfit Kappa Group Plc manage the group's operations on a divisional basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Smurfit Kappa Corrugated Limited The development, performance and position of the packaging segment of Smurfit Kappa Group Plc, which includes the company, are available in the Annual Report of Smurfit Kappa Group Plc which is available on the group website www smurfitkappa com together with key performance indicators for that segment

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The principal business risks and uncertainties affecting the company include volatility in recovered fibre and containerboard prices and fluctuating energy costs, which are mitigated as described in *Price Risk* below Other principal business risks and uncertainties include

- efficient plant capacity management
- competition from other paper manufacturers, including changes in paper production capacity in the UK

Financial risk management

As the company is part of the larger Smurfit Kappa Group, the financial risks that the company is exposed to are managed in the context of the wider group The objectives of the company are to manage the company's financial risk, secure cost effective funding for the company's operations and to minimise the adverse effects of fluctuations in the financial markets on the company's financial assets and liabilities, on reported profitability and on the cash flows of the company

(i) Credit risk

The company's objective is to reduce the risk of financial loss due to counterparty's failure to honour its obligations Standard payment terms are quoted to customers for contracts

The management of each operating division are responsible for the installation and maintenance of appropriate credit control procedures and for ensuring that orders are not accepted or shipments made to non credit worthy customers Individual exposures are monitored with customers, subject to credit limits, to ensure that the company's exposure to bad debts is not significant Management of operating divisions are also responsible for ensuring that payment is received from customers promptly and in accordance with the agreed terms

Where significant credit risk is perceived, contracts must provide for payment to be made by either an irrevocable letter of credit, or payment in full before despatch

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Directors' report
for the year ended 31 December 2010 (continued)

Financial risk management (continued)

(ii) Price risk

The company is exposed to price risk on recovered fibre which fluctuates with domestic and global demand, and on containerboard pricing which fluctuates with supply and demand trends The vertically integrated nature of the company's operations, together with its participation in the Smurfit Kappa Group, limits this risk to some degree

The company is a significant energy consumer and is exposed to changes in energy prices, which in turn fluctuate with global oil prices Where possible, the company seeks to secure medium to longer term supply arrangements to minimise the impact of price fluctuations

(iii) Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation from its operations

The company finances its activities with funding from other group companies and cash deposits Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities

All significant cash balances are swept on a daily basis to Smurfit Kappa Treasury who manage the total liquidity risk of the group

(iv) Foreign exchange risk

The company is exposed to foreign currency risks on sales, purchases and financing transactions denominated in foreign currencies From time to time, the company enters into derivative transactions in the form of forward currency contracts The purpose is to manage the currency risks arising from the company's operations The company does not trade in financial instruments and has no other form of derivatives

(v) Interest rate risk

The company's financing does not include any interest bearing facilities, which are exposed to cash flow risk where variable interest rates are applied and to fair value risk where fixed interest rates are applied hence this is not deemed significant Interest free facilities do not bear cash flow interest rate risk

(vi) Capital investment

Capital investment is carefully monitored, with authorisation limits operating up to group board level and cash payback periods applied as part of the investment appraisal process The approval procedures apply to all capital items whether purchased outright, leased, rented or subject to hire purchase agreements The method of funding to be used is dictated in each case by cash flow implications Capital expenditure limits are set for each operating division, above which formal approval must be obtained from the company's ultimate parent company

Directors' report
for the year ended 31 December 2010 (continued)

Payment policy and practice

It is the company's policy to adhere to credit terms negotiated with suppliers Advantage is taken where possible of cash discounts for early payment Trade creditor days for the year ended 31 December 2010 were 79 days (2009 75 days)

This represents the ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amounts due, at the year end, to trade creditors due within one year

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Information on the company and the wider Smurfit Kappa Group is routinely available to employees including financial and economic factors affecting performance Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made Employees are encouraged to contribute to the performance of the company through reward and incentives

Future developments and post balance sheet events

On 1st January 2011, the trade, assets and liabilities of the company were hived up to Smurfit Kappa UK Limited at net book value

Directors

The following directors have held office during the year ended 31 December 2010 and up to the date of signing of the financial statements

C A Hunt (resigned 4 May 2010)
J H A R Schoonbrood (resigned 4 May 2010)

Pat McNeill (appointed 4 May 2010)
Clive Bowers (appointed 4 May 2011

Directors' report
for the year ended 31 December 2010 (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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,
- 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

Disclosure of information to auditors

The directors confirm that in the case of each director in office at the date the directors' report is approved

- so far as each director is aware, there is no relevant audit information of which the company's auditors are not aware,
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Directors' report
for the year ended 31 December 2010 (continued)

Independent auditors

During the year Deloitte LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting

On behalf of the Board

P McNeill
Director
[23/09/11]

Independent auditors' report to the members of Smurfit Kappa Corrugated Limited (formerly Mondi Packaging (UK) Limited)

We have audited the financial statements of Smurfit Kappa Corrugated Limited (formerly Mondi Packaging (UK) Limited) for the year ended 31 December 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 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)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 6 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 Smurfit Kappa Corrugated Limited (formerly Mondi Packaging (UK) 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

P.J. Norbury

Paul Norbury (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
23 September 2011

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Profit and loss account
for the year ended 31 December 2010

	Notes	31 December 2010 £'000	31 December 2009 £'000
Turnover	2	**74,192**	69,597
Cost of sales		**(57,805)**	(49,765)
Gross profit		**16,387**	19,832
Net operating expenses	4	**(15,437)**	(17,523)
Operating profit	4	**950**	2,309
Interest receivable and similar income	5	**5**	62
Interest payable and similar charges	6	**(15)**	(87)
Profit on ordinary activities before taxation		**940**	2,284
Tax on profit on ordinary activities	7	**(63)**	(287)
Profit for the financial year after taxation	16	**877**	1,997

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Statement of total recognised gains and losses for the year ended 31 December 2010

	31 December 2010	31 December 2009 (as restated)
	£'000	£'000
Profit for the financial year	**877**	1,997
Total recognised gains relating to the year	**877**	1,997
Effect of the restatement – change in accounting policy (notes 9 and 16)	**500**	
Total gains recognised since the last annual report	**1,377**	

The effects of change in accounting policy, as detailed in note 1 have been incorporated by restating the comparative balance sheet reflecting the effect within the opening reserves for 2009 This can also be seen in notes 16 and 21

Smurfit Kappa Corrugated Limited
(formerly Mondi Packaging (UK) Limited)

Balance sheet
as at 31 December 2010

	Notes	31 December 2010 £'000	31 December 2010 £'000	31 December 2009 (as restated) £'000	31 December 2009 (as restated) £'000
Fixed assets					
Tangible assets	8		**21,266**		24,193
Current assets					
Stocks	9	**2,846**		2,573	
Debtors	10	**17,816**		11,527	
Cash in hand		**588**		11,503	
			21,250		25,603
Creditors: amounts falling due within one year	11		**(17,469)**		(12,718)
Net current assets			**3,781**		12,885
Total assets less current liabilities			**25,047**		37,078
Provisions for liabilities	14		**(63)**		(271)
Net assets			**24,984**		36,807
Capital and reserves					
Called up share capital	15		**8,519**		73,519
Profit and loss account	16		**16,465**		(36,712)
Shareholders' funds	21		**24,984**		36,807

These financial statements on pages 10 to 27 were approved by the Board of Directors on ~~[date]~~ 23/09/11 and were signed on its behalf by

P McNeill
Director

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable United Kingdom accounting standards The company has applied UK Generally Accepted Accounting Practice authoritative pronouncements where the mandatory effective date of application is relevant to financial years commencing on 1 January 2010 or ending on 31 December 2010 The principal accounting policies, which have been consistently applied unless otherwise indicated, are set out below

Going concern

The accounts have been prepared on the going concern basis The company has received confirmation of the intention of Smurfit Kappa Treasury, a fellow subsidiary company wholly owned by Smurfit Kappa Group Plc, to provide continuing financial support to the company and other fellow UK group companies for a period of at least one year from the date of signing these accounts Accordingly, the accounts have been prepared on the going concern basis and all amounts due from fellow group companies are deemed recoverable

Consolidation

The company is a wholly owned subsidiary of Smurfit Kappa Group Plc, a company incorporated in Ireland, and therefore, under the provisions of Section 400 of the Companies Act 2006, group accounts have not been prepared The accounts present information about the company and not about its group

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements', as it is a wholly owned subsidiary of Smurfit Kappa Group Plc, which is incorporated in Ireland, and prepares a consolidated cash flow statement which is publicly available

Related party transactions

As a wholly owned subsidiary of Smurfit Kappa Group Plc the company has taken advantage of the exemption available within FRS 8 from disclosing transactions with wholly owned subsidiaries of the group

Foreign currencies

Foreign currency transactions during the year have been translated at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the relevant year end exchange rates The resulting profit and losses are dealt with in the profit and loss account

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Where assets are acquired from other group undertakings, the company considers that it is more practical to recognise the original cost and accumulated depreciation of assets acquired, rather than the net cost to the company

Depreciation has been provided on fixed assets on a straight line basis so as to write off the cost less estimated residual value of the asset over its estimated effective useful lives, as follows

Freehold buildings	-	3% straight line per annum
Plant and machinery	-	5% to 33 3% straight line per annum

No depreciation is provided on freehold land The company has taken advantage of the transitional provision of FRS15 Tangible Fixed Assets and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard The properties were last valued at June 1997 by Jones Lang Wootton, licensed agents and approved valuers, on the basis of existing use and the valuations have not been formally updated

Leasing

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the company, are capitalised under tangible assets and depreciated in accordance with the depreciation policy Repayments of finance leases are apportioned between the finance charge and a reduction of the outstanding finance lease creditor, with the total finance charge allocated over the term of the lease to produce a constant periodic rate of charge

Assets leased under operating leases are not capitalised and payments under such leases are expensed over the period of the lease

Where the group acts as lessor as a result of sub-leasing properties, the sub-lease is classified according to its substance, which is typically that of an operating lease Sub-lease income is classified within the profit and loss account within administrative expenses

Impairment of fixed assets

Fixed assets, including finance leases, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount Recoverable amount is the higher of an asset's net realisable value from sale and its value in use Value in use is estimated using estimated future cash flows, based on management's latest approved budgets and forecasts and discounted at the weighted average cost of capital Assets are grouped at the lowest levels for which there are separately identifiable cash flows

Accounting policies (continued)

Stock valuation

Stock is valued at the lower of average cost and net realisable value Cost includes direct costs of raw materials and direct labour plus applicable factory and other relevant overheads Net realisable value is the actual or estimated selling price less all applicable costs incurred or likely to be incurred in the realisation of such selling price Full provision is made for all damaged, deteriorated, obsolete and unusable materials

Changes in accounting policy

Following acquisition by Smurfit Kappa UK Limited, the company aligned its engineering stocks accounting policy to that of the Smurfit Kappa Group Engineering stocks are now capitalised A provision for obsolescence is then calculated based on the ageing of these items Comparative figures have been restated accordingly, to reflect this change The effect on reserves can be seen in note 16 There was no material change in the net carrying value of engineering spares in the previous two financial periods and hence no material change to the previously reported results in the comparative period

Financial instruments

The company has not adopted FRS 26 "Financial Instruments Recognition and Measurement" It applies the amortised cost model in accounting for financial assets and liabilities after their initial recognition at fair value

The company has complied with the presentation requirements of FRS 25, 'Financial Instruments Disclosure and Presentation'

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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 is measured on an undiscounted basis

Pension costs

Defined contribution pension scheme

The assets of the scheme are held separately from those of the company in an independently administered fund

The amount charged against profit represents the contributions payable to the scheme in the accounting period

Notes to the financial statements for the year ended 31 December 2010 (continued)

Accounting policies (continued)

Revenue recognition

The company recognises revenue from the direct sale of its goods when it has transferred to the buyer the significant risks and rewards of ownership, which is usually at the point of delivery of goods to a customer and/or acceptance of risk by the customer or third party courier Revenue is measured at the fair value of the consideration received or receivable net of discounts, rebates, value added tax, and other sales related taxes

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and an estimate can be made of that obligation Where the impact of discounting is material, provisions are discounted using a rate that reflects the time value of money adjusted for relevant risks in the underlying estimated cash flows

Segmental reporting

The company's directors consider that the operations of the company are conducted in all material respects within a single class of business, being the manufacture and sale of paper-based packaging materials, and accordingly segmental disclosures under SSAP 25 "Segmental reporting" are not necessary or material to include in these financial statements

Significant estimates

The company makes estimates and assumptions concerning future events The resulting accounting estimates will seldom precisely equal the related actual results The company applies its best endeavours in setting accounting estimates and uses historical experience and other factors, including input from experienced and specialist management Estimates and assumptions are continually re-evaluated and the resulting accounting balances updated, as new information including actual outcomes become apparent

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

a) Deferred tax

The company assesses whether it is appropriate to recognise, at the balance sheet date, deferred tax assets resulting from historical trading losses The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes Further disclosures relating to the effect on the profit and loss account of the recognition of deferred tax assets are included in note 7, and the amount of deferred tax asset recognised and other relevant disclosures are included in note 13

2 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company

3 Staff costs

	2010	2009
	£'000	£'000
Wages and salaries	9,988	10,815
Social security costs	1,020	1,118
Other pension costs	334	393
	11,342	12,326

The average monthly number of employees during the year was

	2010	2009
	Number	Number
Sales and administration	91	106
Production	244	232
	335	338

The directors' emoluments are paid out of Smurfit Kappa UK Limited and as such are disclosed within that company It is not practical to allocate emoluments between services for this group company and other members of the group and costs have not been recharged Directors' emoluments up to 4 May 2011 were paid out of Mondi Services UK Limited and as such are disclosed within that company

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 Operating profit

The operating profit is stated after charging/(crediting)

	2010 £'000	2009 £'000
Other operating leases	**284**	484
Depreciation - owned assets	**3,245**	3,536
(Profit)/Loss on disposal of fixed assets	**(3)**	152
Fees payable to the company's auditors for the audit of the company's annual accounts	**80**	129
Restructuring costs	**70**	(258)
Foreign exchange (gains)/losses	**(6)**	31

There are no fees payable to the company's auditors in relation to non-audit services

Net operating expenses are analysed as follows

	2010 £'000	2009 £'000
Distribution costs	5,063	4,614
Administrative expenses	10,641	14,199
Other operating income	(267)	(1,290)
Net operating expenses	15,437	17,523

5 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from group undertakings	**5**	62

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Interest payable and similar charges

	2010	2009
	£'000	£'000
Bank overdrafts	**-**	30
Interest payable to group undertakings	**15**	57
	15	87

7 Taxation

Analysis of tax charge/(credit)

The tax charge on the profit on ordinary activities for the year was as follows

	2010	2009
	£'000	£'000
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior periods	-	287
	-	287
Deferred tax (note 13)		
Change in tax rate	(2)	-
Adjustments in respect of prior year	-	-
Origination and reversal of timing differences	65	-
Total tax charge on profit on ordinary activities	**63**	287

Notes to the financial statements for the year ended 31 December 2010 (continued)

Taxation (continued)

Factors affectıng the tax charge/(credıt)

The tax assessed for the year ıs lower than the standard rate of corporatıon tax ın the UK of 28% (2009 28%) The dıfferences are explaıned below

	2010	2009
	£'000	£'000
Profit/(loss) on ordinary actıvities before tax	**940**	2,284
Profit/(loss) on ordınary actıvıtıes multıplıed by the standard rate of corporatıon tax ın the UK of 28% (2009 28%)	**263**	640
Effects of		
Movements ın general provısıons	**(23)**	(243)
Capıtal allowances for the perıod less than deprecıatıon	**540**	930
Adjustment to tax charge ın respect of prıor perıods	**-**	287
Utılısatıon of tax losses not prevıously recognısed	**(898)**	(1,429)
Expenses not deductıble for tax purposes	**118**	102
Current tax charge	**-**	287

Factors affectıng current and future tax charges

Durıng the perıod, as a result of the change ın the UK maın Corporatıon Tax rate from 28% to 27% that was substantıvely enacted on 20 July 2010 and that wıll be effectıve from 1 Aprıl 2011, the relevant deferred tax balances are not expected to change sıgnıficantly and hence have not been remeasured

Further reductıons to the UK corporatıon tax rate were announced ın the June 2010 Budget These changes, whıch are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 Aprıl 2014 The Budget also ıncluded measures to reduce the rate of wrıtıng-down allowances on the maın pool of plant and machınery expendıture to 18% and on the specıal rate pool to 8%, both wıth effect from 1 Aprıl 2012

In addıtıon to the changes ın rates of Corporatıon tax dısclosed above, a number of further changes to the UK Corporatıon tax system were announced ın the March 2011 UK Budget Statement A resolutıon passed by Parlıament on 29 March 2011 has reduced the maın rate of corporatıon tax to 26% from 1 Aprıl 2011 Legıslatıon to reduce the maın rate of corporatıon tax from 26% to 25% from 1 Aprıl 2012 ıs expected to be ıncluded ın the Fınance Act 2011 Further reductıons to the maın rate are proposed to reduce the rate by 1% per annum to 23% by 1 Aprıl 2014

Notes to the financial statements for the year ended 31 December 2010 (continued)

Taxation (continued)

As at the balance sheet date these further proposed changes to rates and capital allowances had not been substantively enacted and, therefore, are not recognised in these financial statements The impact of the proposed changes is not expected to be material to the balance sheet

8 Tangible fixed assets

	Freehold property	Plant and machinery	Total
	£'000	£'000	£'000
Cost			
At 1 January 2010	13,767	53,122	66,889
Additions	-	461	461
Disposals	-	(275)	(275)
At 31 December 2010	**13,767**	**53,308**	**67,075**
Depreciation			
At 1 January 2010	4,620	38,076	42,696
Charge for the year	365	2,880	3,245
Eliminated on disposal	-	(132)	(132)
At 31 December 2010	**4,985**	**40,824**	**45,809**
Net book amount			
At 31 December 2010	**8,782**	**12,484**	**21,266**
At 31 December 2009	9,147	15,046	24,193

Included in cost of land and buildings is freehold land of £1,300,000 (2009 £1,300,000) which is not depreciated

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Stocks

	2010	2009 (as restated)
	£'000	£'000
Raw materials	**1,791**	1,468
Work in progress	**64**	37
Finished goods	**491**	568
Engineering spares	**500**	500
	2,846	2,573

There is no material difference between the balance sheet value of stocks and their replacement value Prior year comparatives have been restated due to a change in accounting policy following acquisition by Smurfit Kappa Group Engineering stocks are now capitalised rather than being expensed as in prior years A provision for obsolescence is then calculated based on the ageing of these items Comparative figures have been restated accordingly, to reflect this change The effect on reserves can be seen in note 16

10 Debtors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade debtors	**14,708**	11,040
Other debtors	**128**	-
Amounts owed by group undertakings	**2,710**	147
Prepayments and accrued income	**270**	340
	17,816	11,527

Amounts owed by group undertakings include loans to which do not bear interest These amounts are unsecured and have no fixed terms for repayment and so are considered repayable on demand

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	**7,850**	6,651
Amounts owed to group undertakings	**6,969**	1,568
Social security and other taxes	**1,558**	576
Other creditors	**404**	1,376
Accruals and deferred income	**688**	2,547
	17,469	12,718

Amounts owed to group undertakings include loans to which do not bear interest These amounts are unsecured and have no fixed terms for repayment and so are considered repayable on demand

12 Operating lease commitments

Annual obligations under non-cancellable operating leases are

	Other operating lease	
	2010	2009
	£'000	£'000
Expiring		
Within one year	**52**	34
Between two and five years	**227**	252
	279	286

13 Deferred taxation

The provision for deferred tax comprises

	2010	2009
	£'000	£'000
Accelerated capital allowances	89	-
Tax losses carried forward	-	-
Other short term timing differences	(26)	-
	63	-

	2010	2009
	£'000	£'000
At 1 January	-	-
Deferred tax charge in profit and loss account	63	-
At 31 December	63	-

Notes to the financial statements for the year ended 31 December 2010 (continued)

14 Provisions for liabilities

	2010	2009
	£'000	£'000
Restructuring provisions	-	271
Deferred tax provision	**63**	-
	63	271

	Restructuring provision
	£'000
At 1 January 2010	271
Provision utilised in period	(271)
At 31 December 2010	-

The restructuring provision was fully utilised in 2010

15 Called up share capital

	2010	2009
	£'000	£'000
Allotted, issued and fully paid		
Ordinary shares of £1 each	8,519	73,519

During the year the company undertook a capital restructure in the manner permitted by the Companies Act 2006 The issued ordinary share capital was reduced by £65 million The reserve established by the cancellation and extinguishment of the shares has been treated as distributable in accordance with the Companies Act 2006.

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Reserves

	Profit and loss account
	£'000
At 1 January 2009 (as previously presented)	(39,209)
Effect of restatement	500
At 1 January 2009 (as restated)	(38,709)
Profit for the year	1,997
At 31 December 2009 (as restated)	(36,712)
At 1 January 2010 (as restated)	(36,712)
Profit for the year	877
Share capital reduction	65,000
Dividend paid to Mondi Packaging UK Holdings plc	(12,700)
At 31 December 2010	**16,465**

During the year the directors approved a special dividend of £12,700,000 which was paid on 31 March 2010 There were no other dividends paid in 2010 and none were paid in 2009

17 Pension commitments

The company operates a defined contribution scheme The pension cost charge for the year represents contributions payable by the company to the fund and amount to £334,040 (2009 £393,074) There were no accrued contributions at the end of the year

18 Ultimate parent company

The company's ultimate parent undertaking and controlling party is Smurfit Kappa Group Plc, a company incorporated in Ireland Smurfit Kappa Group Plc is the parent undertaking of the largest and the smallest group of companies for which group accounts are prepared and of which the company is a member Copies of the accounts for Smurfit Kappa Group Plc may be obtained from Smurfit Kappa Group Plc, Beech Hill, Clonskeagh, Dublin 4, Ireland

The company's immediate parent undertaking is Smurfit Kappa UK Limited

Up till 4 May 2011 the company's ultimate parent undertaking and controlling party was Mondi Plc, a company incorporated in England and Wales Up to the same date the company's immediate parent undertaking was Mondi Packaging (Delta) Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

19 Related party disclosures

As a wholly owned subsidiary of Smurfit Kappa Group plc, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Smurfit Kappa Group plc

20 Post balance sheet events

On 1st January 2011 the trade and assets of the company were hived up to Smurfit Kappa UK Limited Consideration received of £24 9m in the form of an intercompany loan was based on the book value of the net assets transferred

21 Reconciliation of movements in shareholders' funds

	2010	2009 (as restated)
	£'000	£'000
Profit for the financial year	877	1,997
Dividend paid	(12,700)	-
Net (reduction)/addition to shareholders' funds	(11,823)	1,997
Opening shareholders' funds (as previously presented)	36,807	34,310
Effect of the restatement	-	500
Opening shareholders' funds (as restated)	36,807	34,810
Closing shareholders' funds	24,984	36,807

The opening shareholders' funds for 2009 have been restated to reflect the effect of the change in accounting policy in relation to the engineering spares The effect on the reserves can be seen in note 16

22 Contingent liabilities

There are no contingent liabilities in existence which will have a material effect on the company's financial position