

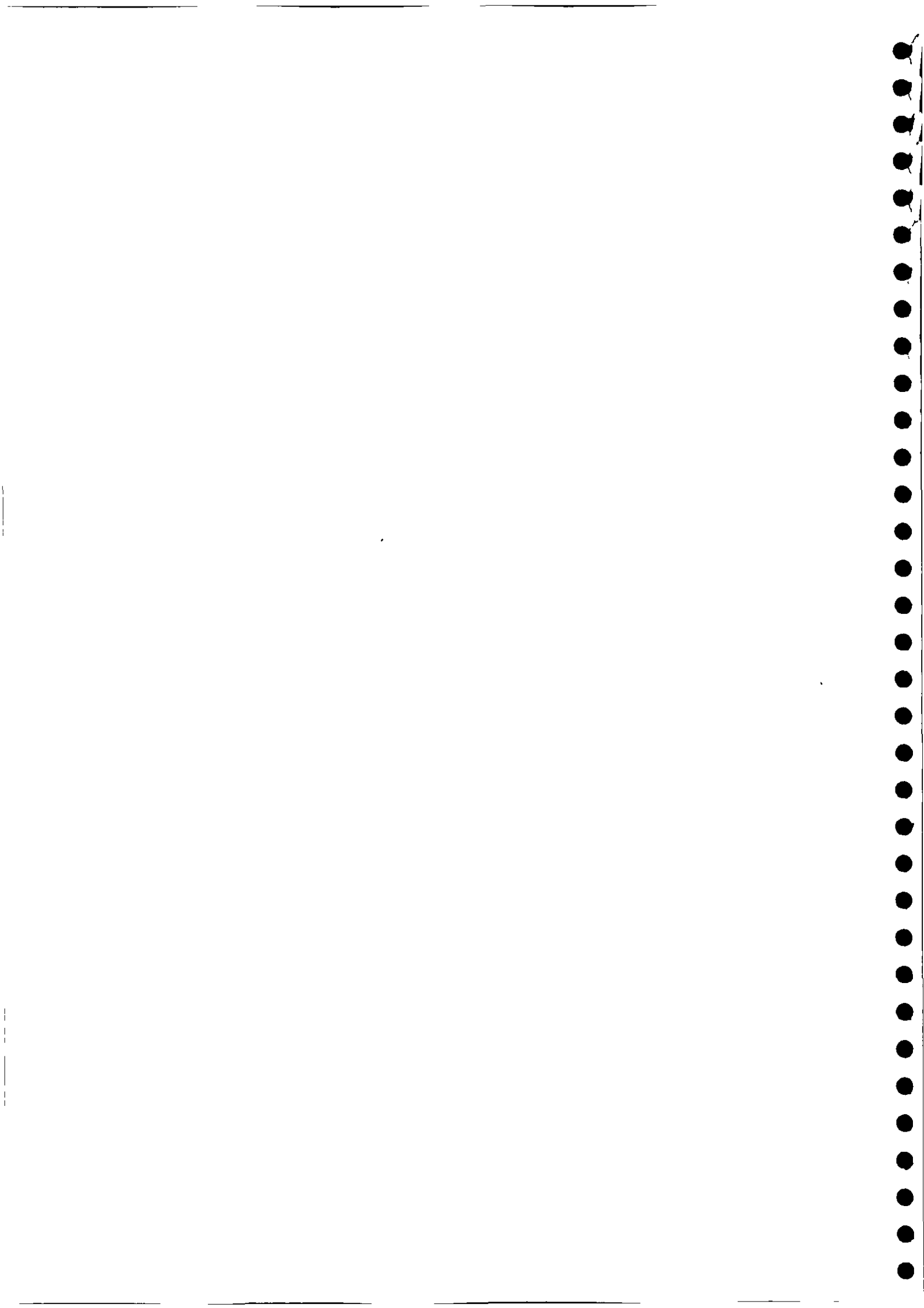
Aylesford Newsprint Limited
Annual report
for the year ended 31 December 2009

Registered Number: 02825694

TUESDAY



A23 17/08/2010 145
COMPANIES HOUSE



Aylesford Newsprint Limited

Annual report

for the year ended 31 December 2009

Contents

Directors' report for the year ended 31 December 2009	1
Independent auditors' report to the members of Aylesford Newsprint Limited	7
Profit and loss account for the year ended 31 December 2009	9
Statement of total recognised gains and losses for the year ended 31 December 2009	10
Balance sheet as at 31 December 2009	11
Notes to the financial statements for the year ended 31 December 2009	12-30



Aylesford Newsprint Limited

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

Business review and principal activities

The company manufactures prime quality newsprint from 100% recycled newspapers and magazines on a single site at Aylesford, Kent

The profit and loss account for the year is set out on page 9. The profit before tax and dividends for the year was £1,069,000 (2008: Loss £13,306,000). The company had net assets at 31 December 2009 of £98,828,000 (2008: £97,560,000). The directors consider the performance of the company in 2009 and the position at the year end to be satisfactory considering the current economic climate.

Business environment

There are four newsprint manufacturers in the UK, (though one went into administration in February 2010 has ceased producing paper) with much of the market being served by imports. Industry statistics show that demands for newsprint declined in 2009, primarily as a result of a reduction in advertising spend. The company differentiates itself as a supplier of newsprint on the quality of its product and service.

Strategy

The company will continue to invest in order to meet the quality demands of its customers, who are themselves investing in new equipment to provide newspapers with high definition colour pictures.

Future developments

Selling prices for newsprint for 2010 have declined sharply and this is resulting in a number of machine closures throughout Europe. The outlook for 2010 is challenging and further capacity closures will be required in order to return the industry to stability.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to be the balance between supply and demand for newsprint and recovered paper, the cost of gas and employee turnover.

The company's operations expose it to a variety of financial risks that include price risk, credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects of these risks on the financial performance of the company as follows:

Price risk

The company is exposed to price risk on gas and recovered paper in particular. It has a policy of buying forward contracts to give progressive cover on gas, and has contracts in place with suppliers of recovered paper which moderate the swings in price.

Credit risk

The company carries out credit checks on all its customers and sets limits in the light of those checks. The supply of goods is kept within approved credit limits. The board reviews the high-value credit limits annually.

Aylesford Newsprint Limited

Director's report for the year ended 31 December 2009 (continued)

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient funds for operations and any expansion plans

Key Performance Indicators (KPIs)

	2010 %	2009 %	
Operating margin	1.8	(9.3)	The improvement in margin reflects the higher selling price of newsprint during 2009 as a result of an improved supply demand balance
Return on invested capital	0.9	(9.0)	The improvement in margin reflects the higher selling price of newsprint during 2009 as a result of an improved supply demand balance
Employee retention/staff turnover	15	8.6	In a normal year, staff turnover of between 8% and 12% is regarded as healthy. The increase in 2009 is a result of restructuring undertaken in order to reduce costs

Dividends

The company has not paid any dividends during the year (2008: nil). The directors do not recommend the payment of a dividend (2008: none).

Directors and their interests

The directors, who served during the year and to the date of this report, were as follows:

Executive directors

Mr B E Blomberg

Non-executive directors

Mr A F Anderson (Appointed 12 February 2009)

Mr G Fridh (Appointed 12 February 2009)

Mr PR Hollingworth (Resigned 10 November 2009)

Mr M Kunda (Appointed 10 November 2009)

Mr U Larsson (Appointed 10 November 2009)

Mr M Lunabba

Mr K Mitterboeck (Resigned 19 January 2009)

Mr JC Paterson

Mr L Pellizzaro (Appointed 12 February 2009)

Ms C Valera

Directors' indemnities

The company maintains liability insurance for its directors and officers. Following shareholder approval in July 1998, the company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Aylesford Newsprint Limited

Director's report for the year ended 31 December 2009 (continued)

Employees

Disabled persons

The company gives full consideration to the possibility of employing disabled persons wherever such opportunities exist. Those employees who become disabled are given the opportunity and assistance to continue in their employment or to be trained for other, more suitable positions. 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.

Employee communication

Information on matters of concern to employees is given via a formal process of department briefings to enhance common awareness among employees of factors affecting the group. The company is committed to maintaining effective two-way communications between all levels of management and employees. Communication methods include a monthly team briefing structure designed to ensure that all employees receive information on company performance and regular company newsletters. Information is published both in print and electronically.

In addition, the company operates two information and consultation forums: the Operating Council for the negotiated workforce and the Joint Consultative Forum (established at the beginning of 2005) for the remainder of its employees.

Research and development

The company's research and development programme places emphasis on product development and on seeking new techniques in the manufacture and application of paper technology.

Political and charitable contributions

During the year the company made various charitable contributions to trade and local bodies totalling £14,173 (2008: £15,169). The company made no political contributions (2008: nil).

Policy and practice on payment of creditors

General terms of payment to suppliers are end of month following date of invoice unless specific days have been commercially agreed. At the year end the amount of days outstanding on the balance of the trade creditors was 21 days. The average time to pay an invoice during 2009 was 42 days.

Land and Buildings

The directors do not consider the difference between the market value and book value of land and buildings for the company to be significant.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next annual general meeting.

Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and the directors have taken all steps that they ought to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Aylesford Newsprint Limited

Director's report for the year ended 31 December 2009 (continued)

[Page left intentionally blank]

Aylesford Newsprint Limited

Director's report for the year ended 31 December 2009 (continued)

[Page left intentionally blank]

Aylesford Newsprint Limited

Director's report for the year ended 31 December 2009 (continued)

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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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.

By order of the Board



I R Broxup
Company Secretary
22 April 2010

Registered Number: 02825694

Aylesford Newsprint Limited

Independent auditors' report to the members of

Aylesford Newsprint Limited

We have audited the financial statements of Aylesford Newsprint Limited for the year ended 31 December 2009 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 the director and auditors

As explained more fully in the Directors' Responsibilities Statement set out 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 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 2009 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.

Aylesford Newsprint Limited

Independent auditors' report to the members of Aylesford Newsprint 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

Steve Crosby /

Steve Crosby (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Gatwick

22 April

2010



Aylesford Newsprint Limited
Profit and loss account
for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	143,955	135,359
Net operating expenses	3	(141,421)	(147,946)
Operating profit/(loss)	4	2,534	(12,587)
Interest receivable	7	222	226
Interest payable and similar charges	8	(1,660)	(1,460)
Other finance (expense)/income	16	(27)	515
Profit/(loss) on ordinary activities before taxation		1,069	(13,306)
Tax credit/(charge) on profit/(loss) on ordinary activities	9	4,049	(668)
Profit/(loss) for the financial year	18/19	5,118	(13,974)

All the activities of the company are continuing

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above, and their historical cost equivalents

Aylesford Newsprint Limited

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £000's	2008 £000's
Profit/(loss) for the financial year	18/19	5,118	(13,974)
Gain on cashflow hedge		271	-
Actuarial loss recognised in the pension scheme	16	(5,724)	(9,883)
Movement on deferred tax relating to actuarial loss		1,603	2,767
Total recognised gains/(losses) for the year		1,268	(21,090)

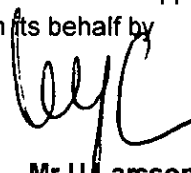
Aylesford Newsprint Limited
Balance sheet
as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	11	141,038	155,283
Current assets			
Stocks	12	10,793	9,124
Debtors – due within one year	13	22,732	34,232
Cash at bank and in hand		536	980
		34,061	44,336
Creditors: amounts falling due within one year	14	(30,039)	(42,327)
Net current assets/(liabilities)		4,022	2,009
Total assets less current liabilities		145,060	157,292
Creditors: amounts falling due after more than one year	14	(24,675)	(33,002)
Provisions for liabilities and charges	15	(16,806)	(22,980)
Net assets excluding pension deficit		103,579	101,310
Pension liability	16	(4,751)	(3,750)
Net assets including pension deficit		98,828	97,560
Capital and reserves			
Called up share capital	17	75,000	75,000
Profit and loss reserve	18	23,828	22,560
Shareholder's funds – equity interests	19	98,828	97,560

The financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes were approved by the board of directors on 22 April 2010 and were signed on its behalf by



Mr B E Blomberg
Director



Mr U Larsson
Director

Aylesford Newsprint Limited

Notes to the financial statements

for the year ended 31 December 2009

1 Principal accounting policies

Accounting convention

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going Concern

The financial statements have been prepared on a going concern basis and the shareholders of Aylesford Newsprint Holdings Limited have both confirmed that they will provide financial support to the company for at least 12 months from the date of approval of these financial statements.

Cash flow statement

Since the company is a wholly owned subsidiary and the cash flows of the company are included in the consolidated financial statements of Aylesford Newsprint Holdings Limited, which are publicly available, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised 1996) from presenting a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. The cost of plant and machinery includes interest and financing costs paid on funds specifically taken out to finance assets in the course of construction. These interest and financing costs are capitalised and amortised over the life of the assets.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over their estimated useful lives. Estimated useful lives on buildings range up to 20 years. Freehold land is not depreciated. The depreciation rates for plant and equipment range from 5% to 33% per annum. Assets in the course of construction are not depreciated until they become operational.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of fixed assets may not be recoverable. Impairment is charged to the profit and loss account when it is identified.

Stocks

Stocks are stated at the lower of production cost or net realisable value. In general, cost is determined on a first in, first out, basis, in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted into sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

Turnover

Turnover comprises the invoiced value of goods and services supplied to third parties net of value added tax and trade discounts. Turnover is recognised when the goods have been accepted by the customer and the right to consideration has been earned. Where turnover that has been recognised is found not to be recoverable due to a dispute with a customer, these amounts are charged against turnover. When non-recovery is a result of the inability of the customer to meet its obligations, these amounts are charged to administrative expenses.

Related party transactions

The company has exercised the exemption for wholly owned subsidiaries under Financial Reporting Standard No. 8 (Related Party Transactions) and has not disclosed related party transactions between group companies. The company has disclosed all other related party transactions.

Current taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.

Pensions

The company operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using bid value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension scheme's surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet, net of the related deferred tax.

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

Pensions (continued)

The company has also operated a defined contribution pension scheme since April 2003, open to all new joiners. Costs in respect of the defined contribution scheme are charged in arriving at the operating profit. Any outstanding or prepaid contributions at the balance sheet date are included in creditors or debtors respectively.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Grants

Grants related to specific capital expenditure are treated as deferred income which is credited to the profit and loss account over the useful life of the asset.

Other grants are credited to the profit and loss account when received.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Trade Debtors

Trade debtors arise as a result of trading transactions in the company. These are recognised net of any provision for doubtful debt positions at the year end.

Trade Creditors

Trade creditors arise as a result of purchases made by the company in order to fulfil its trading requirements. These are recognised at their fair value. Settlement terms are negotiated with the relevant third parties prior to the goods or services being provided.

Hedging

All future currency hedges are revalued on a monthly basis and if any hedge is found not to be 100% effective, the ineffectiveness is recognised in the profit and loss account.

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Turnover

	2009	2008
	£'000	£'000
Turnover – by destination		
Paper sales		
- UK	107,826	108,585
- Rest of Europe	34,585	25,370
- Rest of World	1,486	1,238
Recovered paper	58	166
	143,955	135,359

An analysis of sales by origin is not provided as all sales are made from the UK

	2009	2008
	£'000	£'000
Operating Profit/(loss) by destination		
Paper sales		
- UK	1,942	(10,113)
- Rest of Europe	623	(2,363)
- Rest of World	27	(115)
Recovered paper	(58)	4
	2,534	(12,587)

Costs relating to paper sales have been attributed to each segment as a percentage of turnover as the directors are of the opinion that they are broadly equivalent across each sector. All assets are held in the United Kingdom.

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

3 Net operating expenses

	2009	2008
	£'000	£'000
Change in stocks of finished goods and work in progress	(1,669)	(258)
Other operating income	(17)	(16)
Raw materials and consumables	79,196	83,260
Other external charges	32,581	35,469
Employment costs (Note 6)	14,100	14,495
Depreciation of fixed assets (Note 11)	20,241	19,448
Recharge of fixed assets depreciation to group companies	(2,061)	(2,439)
Adjustment in respect of prior year (Note 11)	-	(1,063)
Amortisation of Government grants	(950)	(950)
	141,421	147,946

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2009	2008
	£'000	£'000
Exchange losses	105	645
Research and development costs	651	634
Loss/(profit) on disposal of fixed assets	3	(1,244)
Receipt of business interruption claim	-	(1,424)

The business interruption claim was for reduced performance output relating to a large scale damage incident on PM14 machine during 2006, where the replacement work was not completed until 2008

Services provided by the company's auditor and network firms

During the year the company obtained the following services from the company's auditor as detailed below

	2009	2008
	£'000	£'000
Audit services		
The audit of the company pursuant to legislation	28	48
Non – audit services		
Actuarial services	43	269
	71	317

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

5 Directors' emoluments

The companies in the Aylesford Newsprint Holdings Group are managed together and the directors' emoluments are paid by Aylesford Newsprint Holdings Limited. It is not practicable to allocate the emoluments of the directors between the companies. Details of these emoluments are given in the financial statements of Aylesford Newsprint Holdings Limited which are publicly available.

6 Employee information

The average monthly number of persons employed by the company is analysed below

	2009 Number	2008 Number
Management/administration	73	96
Production	246	252
Selling and distribution	21	18
	340	366

	2009 £'000	2008 £'000
Staff costs (for the above persons)		
Wages and salaries	12,805	12,625
Social security costs	1,142	1,096
Other pension costs	1,468	2,276
Total direct costs of employment	15,415	15,997
Staff costs recharged to group companies	(1,315)	(1,502)
	14,100	14,495

7 Interest receivable

	2009 £'000	2008 £'000
Bank interest receivable	9	42
Other interest receivable	213	184
	222	226

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

8 Interest payable and similar charges

	2009	2008
	£'000	£'000
Bank interest payable	53	63
On loans from group undertakings	1,607	1,397
	1,660	1,460

9 Tax on profit/(loss) on ordinary activities

(a) Analysis of tax (credit)/charge for the year

	2009	2008
	£'000	£'000
Tax on profit/(loss) for the year		
UK corporation tax on profit for the year	-	-
Consortium relief payable	912	-
Group relief receivable from other group companies	-	(1,204)
Adjustment in respect of previous periods	-	(76)
Total current tax charge/(credit)	912	(1,280)
Deferred tax		
Origination and reversal of timing differences (ACA and other)	(6,174)	(4,273)
Adjustment attributable to change of tax treatment (IBA abolition)	-	4,913
Pension cost relief in excess of pension charge	1,213	1,308
Total deferred tax (credit)/charge	(4,961)	1,948
Tax (credit)/charge for the year	(4,049)	668

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

9 Tax on profit/(loss) on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the UK (28%)

	2009 £'000	2008 £'000
Profit/(loss) on ordinary activities before tax	1,069	(13,306)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008 28.5%)	299	(3,792)
Effects of		
Expenses not deductible for tax purposes	10	14
Capital items expensed	13	7
Government grant amortisation	(266)	(270)
Depreciation in excess of capital allowances	3,571	2,736
Losses (utilised)/carried forward	(1,502)	1,736
Non taxable prior year adjustment (Note 11)	-	(303)
Adjustment in respect of previous periods	-	(76)
Pension cost relief in excess of pension charge	(1,213)	(1,332)
Current tax (credit)/charge for the year	912	(1,280)

The company obtained consortium relief from SCA Packaging and Mondi Paper UK and has included amounts payable as a result of this relief at the standard rate of corporation tax within creditors due within one year (note 14). No Consortium Relief was obtained from SCA Packaging or Mondi Paper UK for 2008.

(c) Factors affecting tax charge for the year

The supply of group and consortium relief, capital allowances and the utilisation of tax losses against future profits is likely to affect tax charges in the future.

10 Dividends

No dividends were paid during 2009 (2008 none)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Tangible assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2009	102,318	300,543	402,861
Additions	151	5,849	6,000
Disposals	-	(20)	(20)
At 31 December 2009	102,469	306,372	408,841
Depreciation			
At 1 January 2009	50,010	197,568	247,578
Charge for the year	3,696	16,545	20,241
Disposals	-	(16)	(16)
At 31 December 2009	53,706	214,097	267,803
Net book amount			
At 31 December 2009	48,763	92,275	141,038
At 31 December 2008	52,308	102,975	155,283

Plant and equipment includes work in progress totalling £3,513,000 (2008 £816,000) which is not depreciated until it is brought into use

In 2008 an adjustment in respect of prior years of £1,063,000 was recorded representing additional interest and finance charges relating to the PM14 project which had not been reflected in the company's financial statements. The full interest and financing charges related to the PM14 project have been capitalised as follows

	2009 £'000	2008 £'000
Interest and financing charges		
Balance brought forward	7,114	8,130
Amortisation charge for year	(1,015)	(1,016)
Balance carried forward	6,099	7,114

Capitalised interest and financing charges are amortised over 20 years, the estimated useful life of the PM14 project

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 Stocks

	2009	2008
	£'000	£'000
Raw materials and consumables	5,435	5,513
Finished goods	5,358	3,611
	10,793	9,124

13 Debtors

	2009	2008
	£'000	£'000
Amounts falling due within one year		
Trade debtors	18,961	18,443
Amounts owed by group undertakings	-	11,915
Taxation and social security	1,976	2,444
Other debtors	371	385
Prepayments and accrued income	1,424	1,045
	22,732	34,232

14 Creditors

	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	4,519	9,743
Amounts owed to group undertakings (see below)	11,851	20,376
Amounts owed to parent undertakings	1,475	-
Other tax and social security	11	-
Other creditors	-	59
Accruals and deferred income	11,233	11,199
Government grants (see below)	950	950
	30,039	42,327
Amounts falling due after more than one year:		
Amounts owed to group undertakings (see below)	20,323	27,700
Government grants (see below)	4,352	5,302
	24,675	33,002

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

14 Creditors (continued)

Amounts owed to parent undertakings relate to consortium tax relief obtained from SCA Packaging and Mondi Paper UK (see note 9)

The amounts owed to group undertakings of £32,174,000 (2008 £48,076,000) comprise

- (a) A revolving facility loan totalling £20,323,000 (2008 £27,700,000) from Aylesford Newsprint Holdings Limited, on which interest is payable at a rate of 7%. For the year to 31 December 2009 interest paid amounted to £1,318,000 (2008 £1,397,000). The loans have no fixed repayment dates. However, the loans have been treated as long term as the directors of Aylesford Newsprint Holdings Limited have confirmed that they will not seek repayment of the amount of £20,323,000 due from Aylesford Newsprint Limited for at least 12 months from the date of approval of these financial statements.
- (b) There is no loan interest accrual within short term creditors (2008 nil)
- (c) Other short term creditors of £11,851,000 (2008 £20,376,000)

	2009 £'000	2008 £'000
Government grants		
At start of year	6,252	7,202
Amortisation for the year	(950)	(950)
Net grant at end of year	5,302	6,252
of which - falling due within one year	950	950
- falling due after more than one year	4,352	5,302

The grant received as a contribution towards the cost of the PM14 project is being amortised over 20 years, the estimated life of the related assets

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

15 Provisions for liabilities and charges

	Deferred Taxation £'000	Total
1 January 2009	22,980	22,980
Charged to the profit and loss account in the year	(6,174)	(1,610)
31 December 2009	16,806	21,370

The company's liability to deferred tax (excluding any deferred tax on pension liability) is as follows

	2009 £'000	2008 £'000
Accelerated capital allowances	18,494	26,436
Other short term timing differences	(1,688)	(3,456)
Undiscounted provision for deferred tax	16,806	22,980
Provision at start of year	22,980	21,927
Adjustment in respect of prior year (Note 11)	-	413
Deferred tax (credit)/charge in profit and loss account for the year	(6,174)	640
Provision at end of year	16,806	22,980

16 Pensions

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 6 April 2008 and updated to 31 December 2009 by qualified independent actuaries in accordance with FRS 17. The Plan's assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustee of the fund is required to act in the best interest of the Plan's beneficiaries. The appointment of Trustees to the Plan is determined by the Plan's trust documentation.

The major assumptions used by the actuary were

	2009 Per annum %	2008 Per annum %
Rate of increase in salaries	5.20	4.60
Rate of increase in pensions in payment	3.70	3.05
Discount rate	5.70	6.10
Inflation assumption	3.70	3.10

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pensions (continued)

The assumed future life expectancies for sample members from age 65 are illustrated below

	2009	2008
Male member currently aged 65	22.5	22.1
Female member currently aged 65	25.2	24.9
Male member currently aged 45	25.0	24.7
Female member currently aged 45	27.7	27.5

At 31 December 2009, the mortality assumption was updated in line with that used in the actuarial valuation at 6 April 2008, to the Self-Administered Pension Schemes (SAPS) general tables with future improvements in line with the long cohort projection with a 1.25% underpin. This was felt to be more relevant given the membership profile and mortality experience of the scheme.

In addition, an allowance was made for members to choose to commute 25% of their pension entitlement for a tax-free cash lump sum at retirement (2008: 25%).

The assets in the scheme and the expected rate of return were

	Long term rate of return expected at 31 December 2009	Value at 31 December 2009	Long term rate of return expected at 31 December 2008	Value at 31 December 2008
	%	£'000	%	£'000
Equities	7.10	36,115	6.70	25,685
Bonds	5.30	21,154	6.10	19,183
Cash	1.00	76	2.00	284
Property	6.80	2,437	6.40	2,987
Annuity policy held by trustees	-	-	6.10	796
	6.43	59,782	6.41	48,935

The expected return on assets assumptions have been set with reference to the expected returns on each of the underlying assets in the portfolio, weighted by value at the year end. The actual return on Plan assets during 2009 was a profit of £6.8m.

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pensions (continued)

The following amounts at 31 December 2009 were measured in accordance with the requirements of FRS 17

At 31 December 2009	£'000
Total bid value of assets	59,782
Present value of scheme liabilities	(66,380)
Deficit	(6,598)
Related deferred tax asset	1,847
Net pension deficit	(4,751)

The following amounts at 31 December 2008 were measured in accordance with the requirements of FRS 17

At 31 December 2008	£'000
Total market value of assets	48,935
Present value of scheme liabilities	(54,143)
Deficit	(5,208)
Related deferred tax asset	1,458
Net pension deficit	(3,750)

Company contributions during the year were £5,696,000 (2008 £7,159,000). Contributions are payable to the Plan by the company at the rates set out in the Schedule of contributions. The company has agreed to pay contributions of £1.7m p.a. payable monthly plus salary sacrifice contributions of 8% of pensionable salaries for salary sacrifice active members. The company has also agreed to pay an additional deficit contribution of £2.44m by 8 January 2010.

The following amounts have been recognised in the performance statements under the requirements of FRS 17 in respect of the Aylesford Newsprint Pension Plan

	2009 £'000	2008 £'000
Operating profit:		
Current service costs	(1,335)	(2,183)
Past service costs	-	(816)
Total operating charge	(1,335)	(2,999)
Other finance income:		
Expected return on pension scheme assets	3,265	3,537
Interest on pension scheme liabilities	(3,292)	(3,022)
Net (loss)/return	(27)	515
Amount charged to profit and loss	(1,362)	(2,484)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pensions (continued)

	2009	2008
	£'000	£'000
Statement of total recognised gains and losses (STRGL)		
Actual return less than/(greater than) expected return on pension scheme	3,563	(14,659)
Experience gains/(losses) arising on the scheme liabilities	1,894	(1,191)
Changes in assumptions underlying the present value of the scheme	(11,181)	3,800
Release of provision for unrecoverable asset	-	2,167
Actuarial loss recognised in STRGL	(5,724)	(9,883)

The cumulative loss recognised in the STRGL to date is £13.6m

	2009	2008
	£'000	£'000
Movement in present value of plan assets		
Assets at beginning of the year	48,935	54,398
Movement in the year		
Expected return on assets	3,265	3,537
Actuarial gains/(losses)	3,563	(14,659)
Contributions by the employer	5,696	7,159
Benefits paid	(1,677)	(1,500)
Assets at end of the year	59,782	48,935

	2009	2008
	£'000	£'000
Movement in present value of plan liabilities		
Liabilities at beginning of the year	(54,143)	(52,231)
Movement in the year		
Current service cost	(1,335)	(2,183)
Past service cost	-	(816)
Interest cost	(3,292)	(3,022)
Actuarial (losses)/gains	(9,287)	2,609
Benefits paid	1,677	1,500
Liabilities at end of the year	(66,380)	(54,143)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Pensions (continued)

Details of experience gains and losses	2009	2008	2007	2006	2005
Fair Value of scheme assets	59,782	48,935	54,398	47,209	40,928
Present Value of scheme liabilities	66,380	54,143	52,231	58,437	60,607
(Deficit)/Surplus in the scheme	(6,598)	(5,208)	2,167	(11,228)	(19,679)

Experience gains and losses on scheme assets

Amount (£'000)	3,563	(14,659)	(215)	1,945	4,844
Percentage of scheme assets	6.0%	(30.0%)	(0.4%)	4.1%	11.8%

Experience gains and losses on scheme liabilities

Amount (£'000)	1,894	(1,191)	7,115	1,016	(280)
Percentage of the present value of the scheme liabilities	2.9%	(2.2%)	13.6%	1.7%	(0.6%)

The Plan's assets do not include any of the company's own financial instruments or any property occupied by the company

The main Plan closed to new entrants with effect from 6 April 2003

The company has no exposure to any other defined benefit post retirement benefit obligations

Defined contribution scheme

The pension cost contributions charged during the year relating to the defined contribution scheme amounted to £157,334 (2008 £116,197) There were no contributions prepaid or accrued at the year end (2008 nil)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

17 Called up share capital

	2009	2008
Authorised:		
Ordinary shares of £1 each		
- Nominal value	£100,000,000	£100,000,000
- Number	100,000,000	100,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each		
- Nominal value	£75,000,000	£75,000,000
- Number	75,000,000	75,000,000

18 Statement of movement on reserves

	Profit and loss reserve £'000
At 1 January 2009	22,560
Profit for the year	5,118
Gain on cashflow hedge	271
Actuarial loss on pension scheme	(5,724)
Movement on deferred tax relating to pension scheme	1,603
Profit and loss reserve at 31 December 2009	23,828

19 Reconciliation of movements in equity shareholder's funds

	2009 £'000	2008 £'000
Opening shareholder's funds	97,560	118,650
Profit/(loss) for the year ended	5,118	(13,974)
Gain on cashflow hedge	271	-
Actuarial loss on pension scheme	(5,724)	(9,883)
Movement on deferred tax relating to pension scheme	1,603	2,767
Closing shareholder's funds	98,828	97,560

20 Contingent liabilities

The directors are not aware of any material contingent liabilities as at 31 December 2009 (2008 nil)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

21 Capital commitments

	2009	2008
	£'000	£'000
Capital commitments authorised by the directors are as follows		
Authorised and contracted for but not provided for	1,068	2,415

22 Financial commitments

At 31 December 2009 the company had no annual commitments under non-cancellable operating leases (2008 nil)

22 Related party disclosures

Aylesford Newsprint Limited is a wholly owned subsidiary of Aylesford Newsprint Holdings Limited, a joint venture between SCA Forest Products AB and Mondi Société Anonyme (formerly Mondi Europe SA)

The key transactions and balances during the year with companies that were related to the Aylesford Newsprint group under the terms of Financial Reporting Standard No 8 are as follows

Transactions

Sales of waste paper

Sales of waste paper amounting to £9,000 (2008 £22,000) on a normal commercial basis were made to SCA Recycling (UK) Limited during the year

Purchases of waste paper

The company has an agreement with SCA Recycling (UK) Limited to purchase waste paper on normal commercial terms which amounted to £5,695,000 in the year (2008 £6,403,000)

Purchase of packaging material

The company did not purchase packaging materials from SCA Packaging Limited during the year (2008 £323,000)

Commission payments

During the year £438,000 (2008 £360,000) was payable in commission on sales made by various European SCA companies on behalf of the company

Research and development

The company has been charged an amount of £651,000 (2008 £637,000) by SCA in respect of research and development costs. A further £18,000 (2008 £15,000) was charged by SCA Forest Products AB relating to market research

Shipping and haulage

Shipping costs of £227,000 (2008 £316,000) to SCA Transforest AB, £56,000 (2008 £45,000) to SCA Transforest Agencies, £41,000 (2008 nil) to Interforest Terminal Rotterdam BV, £8,000 (2008 nil) to Interforest Terminal London Ltd and £1,000 (2008 nil) to SCA Transforest (Deutschland) GMBH were paid in the year

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

22 Related party disclosures (continued)

Rates

Rates of £128,436 (2008 £1,279,000) were recharged from SCA Packaging Limited – Site Services in the year. The company charged out rates to various SCA companies in the year totalling £274,000 (2008 nil).

Software costs

Software costs of £40,000 (2008 £53,000) were recharged from various companies in the SCA group during the year.

Insurance costs

The company has incurred insurance costs of £17,000 (2008 £18,000) in the year.

Barrier Cards

The company received income of £2,000 (2008 £3,000) from various companies in the SCA group for barrier cards for access on site roads.

Other Costs

The company also incurred costs on magazines of £34,000 (2008 £32,000) and £6,000 (2008 £62,000) on PM15 research from SCA Graphic Sundsvall AB and £nil (2008 £61,000) on recruitment costs from SCA Forest Products AB.

Balances outstanding as at 31 December 2009

Trade debtors

Trade debtors of £18,961,000 (2008 £18,443,000) include an amount of £30,000 (2008 £nil) due from SCA group companies.

Trade creditors

Included within trade creditors of £4,519,000 (2008 £9,743,000) is an amount of £767,000 (2008 £768,000) which is owed to SCA group Companies. There was no balance due (2008 £6,000) to Mondi PLC.

23 Ultimate holding company

The company's ultimate holding company and controlling party is Aylesford Newsprint Holdings Limited registered in England and Wales, with its registered office at

Newsprint House
Bellingham Way
Aylesford
Kent ME20 7DL

Copies of the consolidated accounts of the group are available from the company secretary at the above address.