

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
FOR
ARCTIC PAPER UK LIMITED**



R.O.C.

ARCTIC PAPER UK LIMITED (REGISTERED NUMBER. 01756276)

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FOR THE YEAR ENDED 31 DECEMBER 2010**

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ARCTIC PAPER UK LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010**

DIRECTORS:

H Karlander
S K Andreasson
G Colyer

REGISTERED OFFICE:

Quadrant House
47 Croydon Road
CATERHAM
Surrey
CR3 6PB

REGISTERED NUMBER.

01756276

AUDITORS:

McKenzies
Chartered Accountants
Statutory Auditors
14 -16 Station Road West
Oxted
Surrey
RH8 9EP

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of sales and marketing services in the United Kingdom for the Arctic Paper AB group of mills

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report

H Karlander
S K Andreasson
G Colyer

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made various charitable donations totalling £465 (2009 - £Nil)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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,
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

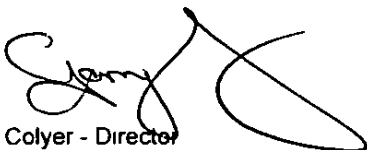
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant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

AUDITORS

The auditors, McKenzies, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



G Colyer - Director

25 January 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ARCTIC PAPER UK LIMITED

We have audited the financial statements of Arctic Paper UK Limited for the year ended 31 December 2010 on pages four to nine. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standard - Provisions Available for Small Entities (Revised)", in the circumstances set out in note thirteen to the financial statements.

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 applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

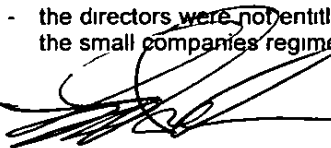
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the Report of the Directors in accordance with the small companies regime.



P S Baker (Senior Statutory Auditor)
for and on behalf of McKenzies
Chartered Accountants
Statutory Auditors
14 -16 Station Road West
Oxted
Surrey
RH8 9EP

25 January 2011

ARCTIC PAPER UK LIMITED (REGISTERED NUMBER: 01756276)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
TURNOVER		1,135,129	1,047,430
Administrative expenses		975,775	887,729
OPERATING PROFIT	2	159,354	159,701
Interest receivable and similar income		-	169
		159,354	159,870
Interest payable and similar charges		103	3,995
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		159,251	155,875
Tax on profit on ordinary activities	3	39,656	46,743
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		119,595	109,132

The notes form part of these financial statements

ARCTIC PAPER UK LIMITED (REGISTERED NUMBER: 01756276)

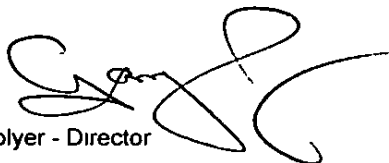
**BALANCE SHEET
31 DECEMBER 2010**

	Notes	2010 £	2009 £
CURRENT ASSETS			
Debtors	5	146,176	140,560
Cash at bank and in hand		417,901	265,802
		<u>564,077</u>	<u>406,362</u>
CREDITORS			
Amounts falling due within one year	6	124,276	86,156
NET CURRENT ASSETS		<u>439,801</u>	<u>320,206</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>439,801</u>	<u>320,206</u>
CAPITAL AND RESERVES			
Called up share capital	9	50,000	50,000
Profit and loss account	10	389,801	270,206
SHAREHOLDERS' FUNDS		<u>439,801</u>	<u>320,206</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Directors on 25 January 2011 and were signed on its behalf by

G Colyer - Director



The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**
1 ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Exemption from preparing a cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company

Turnover

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

Revenue is recognised on a commission basis, where the commission is calculated at a set percentage of the total of paper supplied from the mills each month

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Land and building -10% on cost
Plant and machinery - 25% on cost
20% on cost and
15% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

2 OPERATING PROFIT

The operating profit is stated after charging

	2010	2009
	£	£
Depreciation - owned assets	-	1,364
Auditors' remuneration	4,800	4,800
Pension costs	42,741	37,281
	<u>42,741</u>	<u>37,281</u>
Directors' remuneration and other benefits etc	127,737	121,003
	<u>127,737</u>	<u>121,003</u>

The number of directors to whom retirement benefits were accruing was as follows

	2010	2009
Money purchase schemes	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

3 TAXATION**Analysis of the tax charge**

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

	2010 £	2009 £
Current tax		
UK corporation tax	50,405	45,675
Prior year over provision	(11,908)	-
Total current tax	38,497	45,675
Deferred tax	1,159	1,068
Tax on profit on ordinary activities	39,656	46,743

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £	2009 £
Profit on ordinary activities before tax	159,251	155,875
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	44,590	43,645
Effects of		
Expenses not deductible for tax purposes	6,974	3,097
Depreciation for period in excess of capital allowances	(1,159)	(1,067)
Prior year over provision	(11,908)	-
Current tax charge	38,497	45,675

4 TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery etc £	Totals £
COST			
At 1 January 2010	36,079	71,203	107,282
Disposals	(36,079)	(66,956)	(103,035)
At 31 December 2010	-	4,247	4,247
DEPRECIATION			
At 1 January 2010	36,079	71,203	107,282
Eliminated on disposal	(36,079)	(66,956)	(103,035)
At 31 December 2010	-	4,247	4,247
NET BOOK VALUE			
At 31 December 2010	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

5 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Trade debtors	613	28,403
Amounts owed by group undertakings	87,437	54,624
Other debtors	58,126	57,533
	<u>146,176</u>	<u>140,560</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Trade creditors	10,857	1,662
Amounts owed to group undertakings	-	60
Taxation and social security	70,121	54,185
Other creditors	43,298	30,249
	<u>124,276</u>	<u>86,156</u>

7 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	2010	2009
	£	£
Expiring		
Within one year	9,118	70,817
Between one and five years	83,599	12,837
	<u>92,717</u>	<u>83,654</u>

8 DEFERRED TAX

	£
Balance at 1 January 2010	(5,799)
Accelerated capital allowances	1,159
Balance at 31 December 2010	<u>(4,640)</u>

9 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2010	2009
Number	Class	Nominal value	£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

10 RESERVES

	Profit and loss account
	£
At 1 January 2010	270,206
Profit for the year	119,595
At 31 December 2010	<u>389,801</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

11 PENSION COMMITMENTS

The company contributes to personal pension plans of various employees. The pension cost charge represents contributions payable by the company and amounted to £42,741 (2009 - £37,281). There were no amounts outstanding at either year end.

12 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemptions in the Financial Reporting Standard for Smaller Entities (effective April 2008) from disclosing transactions with related parties that are part of the Arctic Paper AB group or investees in the group.

The smallest group in which the accounts of the company are consolidated is Arctic Paper SA, a company incorporated in Poland. The largest group in which the accounts of the company are consolidated is Nemus Holding AB, a company incorporated in Sweden. A copy of the group accounts may be obtained from Stampgaten 14, SE- 411 01 Goteborg, Sweden.

13 APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

14 ULTIMATE CONTROLLING PARTY

Arctic Paper Limited is ultimately controlled by Cassandrax Financial SA, a company registered in Luxembourg. Cassandrax Financial SA is controlled by Mr T Onstad.