

Registered number: 06457867

GC PAPER LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

WEDNESDAY



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GC PAPER LIMITED

COMPANY INFORMATION

Directors	G Griffiths C Candler
Company secretary	S W Taylor
Company number	06457867
Registered office	Premier House Midpoint Park Kingsbury road Minworth Birmingham B76 1AF
Auditors	PKF (UK) LLP New Guild House 45 Great Charles Street Queensway Birmingham B3 2LX
Bankers	Lloyds TSB Bank plc Bailey Drive Gillingham Business Park Kent ME8 OLS
Solicitors	HBJ Gateley Wareing One Eleven Edmund Street Birmingham B3 2HJ

GC PAPER LIMITED

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GC PAPER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements for the year ended 31 December 2010

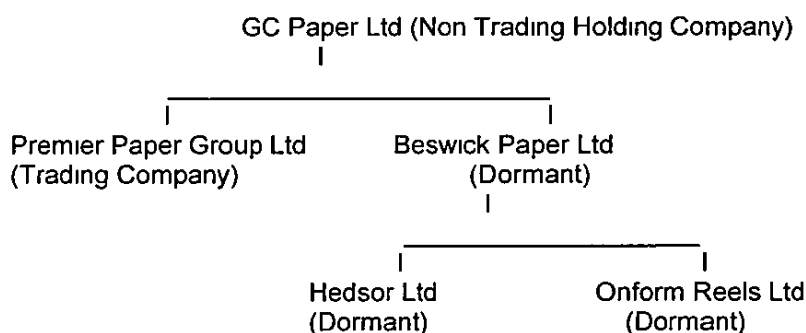
Principal activities

The group's principal activity is that of the distribution and merchandising of paper. The company acts as a non trading holding company to the group.

Business review

During the year the company completed its legal entity reorganisation and capital restructuring which has left the group with both a simplified legal and capital structure.

As a result the Group Parent Company GC Paper Ltd directly owns 100% of the share capital of Premier Paper Group Ltd which is the only remaining trading company in the group. It also owns 100% of a dormant subsidiary Beswick Paper Ltd (formerly GC Holdings Ltd) which in turn owns two other new dormant subsidiaries Onform Reels Ltd and Hedsor Ltd which were created solely to protect the trading names.



All other dormant subsidiaries were disposed of and subsequently struck off the Companies House register during the year.

Also during the year the Share Capital of Premier Paper Group Ltd was reduced by £38.6m in accordance with the provisions of the Companies Act 2006 and a similar amount was transferred to reserves. This leaves Premier Paper Group Ltd with a more appropriate share capital of £100,000 and creates positive reserves.

Having had a very satisfactory trading year the Group also took the opportunity to reflect the value of the tax losses being carried forward in the balance sheet and a £3.5m deferred tax adjustment has been made.

The legal and financial restructuring of the business has now been completed and the directors believe these changes more accurately reflect the company's and group's true balance sheet positions.

2010 Performance

After a difficult trading year in 2009 fuelled by a worldwide recession and crisis in the financial sector, the group began the year in a much stronger financial position and 2010 proved to be a far more satisfactory trading year with profits improving to sustainable levels.

The general market was fairly flat across the industry with no real signs of volumes recovering to pre recession levels, nevertheless, the group saw improving sales volumes in a number of key profitable sectors of the market particularly within the stock based businesses. As a result the group was able to retain its overall market share.

Sales increased by circa 7% year on year but a significant amount of this was as a result of much needed price increases across the industry. These were largely driven by manufacturing suppliers as a reaction to increases in raw material and energy costs coupled with weak exchange rates. Margins also improved during the year as a result of the change of sales mix and growth in added value sectors.

In this climate the group continued to look for savings and efficiencies and was able to further reduce overhead.

GC PAPER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

costs year on year despite significantly higher distribution fuel costs and bad debt write offs. The knock on effects of the recession have resulted in continuing high levels of business failures in the printing sector but credit insurance cover has helped to mitigate the profit impact.

Premier Paper Group Limited has been the only trading company within the GC Paper Ltd group throughout both 2009 and 2010 enabling the first true year on year comparisons since the acquisitions and restructuring of 2008. With an annual turnover of £151m, Premier is the largest Independent Paper Merchant in the UK with national sales and distribution coverage through its 15 stockholding branches and 4 specialist divisions. The outlook for 2011 is for further consolidation of its UK market position at sustainable profit levels and the company is in a strong position to take advantage of market growth when the UK finally emerges from the recession of the last 2 years.

Results and dividends

The profit for the year, before taxation, amounted to £5,700,000 (2009 - 954,000). The profit for the year, after a taxation adjustment credit of £3,451,000, amounted to £9,151,000 (2009 - £915,000).

Interim dividends of £500,000 have been paid during the year. The directors do not propose a final dividend.

Directors

The directors who served during the year were

G Griffiths
C Candler

Directors' indemnity insurance policies were in place during the year and up to the date of this report. The policies are renewed annually.

Political and charitable contributions

The contributions made by the group during the year for political purposes were £Nil (2009 - £Nil) and for charitable purposes £3,591 (2009 - £660).

Principal risks and uncertainties

The principal risk of the business is similar to all paper merchants in the UK, being the concerns regarding the level of market demand and the consequent price pressure on margins.

Accompanying actions taken to reduce costs: the group invested in growth sectors of the market, such as products for digital printers, which it anticipates will continue to create a positive impact in future years.

The sector continued to experience significant failures from its customers. The group continues to take active steps to improve its credit risk management and carries credit insurance against its debtor book.

Future developments

The directors are satisfied that they have the strategies in place which will enhance the group performance during 2011, and maintain profitability within the group and do not anticipate any changes in the principal activities of the group.

GC PAPER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Financial instruments

The group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance fixed assets and working capital through retained earnings and through bank borrowings at prevailing market interest rates. The group does not use hedge accounting and has minimal transactions in foreign currency and its exposure to exchange rate risk is therefore minimal.

The group's exposure to the price risk of financial instruments is therefore market fluctuation.

The group sells goods on credit but manages the risk through a combination of sound credit control procedures and credit insurance.

Research and development activities

The group aims to develop and improve its product portfolio in conjunction with its major suppliers, whilst also developing its people and IT technology.

Employee involvement

The group is committed to effective communication with all staff. Employees are provided with information on relevant matters by means of newsletters and circulars.

Equal opportunities

The group is committed to the principle of equal opportunity in employment and to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, race, age, colour, nationality, religion, HIV status, disability, sexuality, unrelated criminal convictions or other unjustified requirements or conditions.

The group applies employment policies that are fair and equitable and that ensure entry into, and progression within the group determined solely by application of job criteria, personal ability and competence.

Disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy to provide continuing employment under normal terms and conditions.

Provision of information to the auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditors

The auditors, PKF (UK) LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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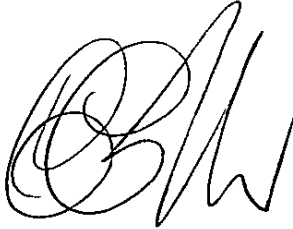
**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

This report was approved by the board on

2/3/11

and signed on its behalf

C Candler
Director

A handwritten signature in black ink, appearing to be 'C Candler', written over the printed name and title.

GC PAPER LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GC PAPER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GC PAPER LIMITED

We have audited the financial statements of GC Paper Limited for the year ended 31 December 2010 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's 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.

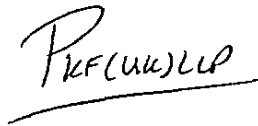
GC PAPER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GC PAPER LIMITED

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

A handwritten signature in black ink that reads "PKF(UK)LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Gareth Singleton (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

Birmingham, UK

Date 4/3/11

GC PAPER LIMITED

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

	Note	2010 £000	2009 £000
TURNOVER	1,2		
Continuing operations		150,775	140,991
Cost of sales		<u>(121,373)</u>	<u>(116,043)</u>
GROSS PROFIT		29,402	24,948
Selling and distribution costs		(15,710)	(15,287)
Administrative expenses		(7,470)	(8,237)
Other operating income	3	<u>113</u>	<u>167</u>
OPERATING PROFIT	4	6,335	1,591
Interest receivable	8	-	6
Interest payable	9	(616)	(569)
Other finance charge	10	<u>(19)</u>	<u>(74)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,700	954
Tax on profit on ordinary activities	11	<u>3,451</u>	<u>(39)</u>
PROFIT FOR THE FINANCIAL YEAR	21	<u><u>9,151</u></u>	<u><u>915</u></u>

The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
PROFIT FOR THE FINANCIAL YEAR		9,151	915
Actuarial gain related to pension scheme	28	186	(398)
Deferred tax attributable to actuarial gain		(61)	111
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		9,276	628


The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED
REGISTERED NUMBER: 06457867

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£000	2010 £000	2009 £000
FIXED ASSETS				
Intangible fixed assets	12		1,389	1,558
Tangible fixed assets	13		3,269	3,476
			<u>4,658</u>	<u>5,034</u>
CURRENT ASSETS				
Stocks	15	12,874		10,120
Debtors amounts falling due after more than one year	16	3,000		1,500
Debtors amounts falling due within one year	16	37,531		31,843
Cash at bank and in hand		152		181
		<u>53,557</u>		<u>43,644</u>
CREDITORS: amounts falling due within one year	17	(47,266)		(46,164)
NET CURRENT ASSETS/(LIABILITIES)			<u>6,291</u>	<u>(2,520)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,949</u>	<u>2,514</u>
CREDITORS: amounts falling due after more than one year	18		(988)	(1,072)
NET ASSETS EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			<u>9,961</u>	<u>1,442</u>
Defined benefit pension scheme liability	28		(535)	(792)
NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)			<u>9,426</u>	<u>650</u>
CAPITAL AND RESERVES				
Called up share capital	20		-	-
Profit and loss account	21		9,426	650
SHAREHOLDERS' FUNDS	22		<u>9,426</u>	<u>650</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 2/3/11
C Candler
 Director

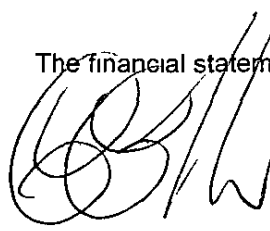
The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED
REGISTERED NUMBER: 06457867

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 £000	2009 £000
FIXED ASSETS			
Fixed asset investments	14	9,539	9,539
CREDITORS: amounts falling due within one year	17	-	(500)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,539</u>	<u>9,039</u>
CREDITORS: amounts falling due after more than one year	18	<u>(9,539)</u>	<u>(9,039)</u>
NET ASSETS		<u>-</u>	<u>-</u>
CAPITAL AND RESERVES			
Called up share capital	20	-	-
SHAREHOLDERS' FUNDS	22	<u>-</u>	<u>-</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 2/3/11

C Candler
Director

The notes on pages 13 to 28 form part of these financial statements

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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
Net cash flow from operating activities	24	97	6,321
Returns on investments and servicing of finance	25	(616)	(566)
Capital expenditure and financial investment	25	(293)	(291)
Equity dividends paid		(500)	-
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,312)	5,464
Financing	25	(82)	(77)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1,394)	5,387

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £000	2009 £000
(Decrease)/Increase in cash in the year	(1,394)	5,387
Cash outflow from decrease in debt and lease financing	82	77
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(1,312)	5,464
Deferred consideration movement	500	496
MOVEMENT IN NET DEBT IN THE YEAR	(812)	5,960
Net debt at 1 January 2010	(23,851)	(29,811)
NET DEBT AT 31 DECEMBER 2010	(24,663)	(23,851)

The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED

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

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and on a going concern basis, in accordance with applicable accounting standards

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company, GC Paper Limited, and all of its subsidiary undertakings ('subsidiaries') at 31 December 2010 using acquisition accounting

The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal

1.3 Turnover

Turnover comprises revenue recognised by the group in respect of goods supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognised on despatch of goods

1.4 Intangible fixed assets and amortisation

Goodwill represents the excess of the fair value of the purchase consideration for shares in subsidiary undertakings over the fair value to the group of the net assets acquired and is amortised on a straight line basis over its useful economic life subject to any impairment review. The useful economic life is assumed by the directors to be 10 years

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	-	2% straight line
Short leasehold property	-	over the period of the lease
Plant and machinery	-	10% straight line
Motor vehicles	-	14-20% straight line
Fixtures and fittings	-	10% straight line
Office equipment	-	20% straight line
Computer equipment	-	20% straight line

Freehold land is not depreciated

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.7 Operating leases

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

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for obsolete and slow-moving stocks

GC PAPER LIMITED

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

1. ACCOUNTING POLICIES (continued)

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the consolidated profit and loss account

1.11 Pensions

The group operates defined contribution and defined benefit pension schemes

For the defined contribution scheme the pension cost is charged to the profit and loss account in the period to which it relates

The group operates a defined benefits pension scheme and the pension charge is based on the preliminary results of the full actuarial valuation dated 1 July 2010

For the defined benefit scheme, pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

No increase in the present value of liabilities of the group's defined benefit pension scheme is expected as there are no active members remaining in the scheme The scheme is closed to new members and to the future accrual of benefit

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in interest payable Actuarial gains and losses are recognised in the statement of total recognised gains and losses Pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised on the balance sheet net of deferred tax

1.12 Related party disclosures

The company has taken advantage of the exemption contained within FRS 8 'Related party transactions' and has therefore not disclosed transactions or balances eliminated in the consolidated accounts

GC PAPER LIMITED

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

2. TURNOVER

All turnover arose within the United Kingdom

The whole of turnover and profit before taxation is attributable to paper merchanting and distribution

3. OTHER OPERATING INCOME

	2010 £000	2009 £000
Net rents receivable	113	167

4. OPERATING PROFIT

The operating profit is stated after charging

	2010 £000	2009 £000
Amortisation - intangible fixed assets	169	86
Depreciation of tangible fixed assets		
- owned by the group	528	564
Operating lease rentals		
- plant and machinery	986	838
- other operating leases	1,466	1,457
Rent receivable	(113)	(167)

5. AUDITOR'S REMUNERATION

	2010 £000	2009 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	2	4
Fees payable to the company's auditor and its associates in respect of		
The preparation of the financial statements	2	4
The auditing of accounts of associates of the company pursuant to legislation	37	37
The preparation of the financial statements of associates of the company	3	3
Other services relating to taxation	5	4
Other services relating to value added tax	-	1

GC PAPER LIMITED

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

6 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010 £000	2009 £000
Wages and salaries	10,114	10,267
Social security costs	982	1,057
Other pension costs (Note 28)	474	496
	<u>11,570</u>	<u>11,820</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010 No.	2009 No.
Administration	44	51
Warehouse and distribution	172	169
Sales	127	137
	<u>343</u>	<u>357</u>

In addition to the staff costs noted above, the company also paid costs of £107,000 (2009 - £482,000) including legal costs in relation to redundancy payments for the staff and directors. This is included within administration expenses

7. DIRECTORS' REMUNERATION

	2010 £000	2009 £000
Emoluments	<u>356</u>	<u>320</u>
Company pension contributions to money purchase pension schemes	<u>45</u>	<u>45</u>

During the year retirement benefits were accruing to 2 directors (2009 - 2) in respect of money purchase pension schemes

The highest paid director received remuneration of £178,000 (2009 - £160,000)

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £22,500 (2009 - £22,500)

8. INTEREST RECEIVABLE

	2010 £000	2009 £000
Interest receivable on short term deposits	<u>-</u>	<u>6</u>

GC PAPER LIMITED

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

9. INTEREST PAYABLE

	2010 £000	2009 £000
On bank loans and overdrafts	<u>616</u>	<u>569</u>

10. OTHER FINANCE INCOME

	2010 £000	2009 £000
Expected return on pension scheme assets	317	247
Interest on pension scheme liabilities	(336)	(321)
	<u>(19)</u>	<u>(74)</u>

11. TAXATION

	2010 £000	2009 £000
Analysis of tax charge in the year		
Deferred tax		
Deferred tax charge on pension scheme	49	39
Effect of increased tax rate on opening liability	(3,500)	-
Total deferred tax (see note 19)	<u>(3,451)</u>	<u>39</u>
Tax on profit on ordinary activities	<u>(3,451)</u>	<u>39</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 - lower than) the standard rate of corporation tax in the UK (28%). The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	<u>5,700</u>	<u>954</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	1,596	267
Effects of:		
Expenses not deductible for tax purposes	31	74
Accelerated capital allowances	86	(178)
Utilisation of losses b/f	(1,602)	(9)
Short term timing differences	(107)	(115)
FRS17 adjustment	(51)	(39)
Amortisation not tax deductible	47	-
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

GC PAPER LIMITED

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

11. TAXATION (continued)

Factors that may affect future tax charges

The group has trading losses of £13,118,000 (2009 - £18,840,000) which are available for carry forward and set off against future taxable profits. A deferred tax asset has been recognised for these (see note 16).

12. INTANGIBLE FIXED ASSETS

Group	Goodwill
Cost	£000
At 1 January 2010 and 31 December 2010	<u>1,691</u>
Amortisation	
At 1 January 2010	133
Charge for the year	<u>169</u>
At 31 December 2010	<u>302</u>
Net book value	
At 31 December 2010	<u>1,389</u>
At 31 December 2009	<u>1,558</u>

GC PAPER LIMITED

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

13. TANGIBLE FIXED ASSETS

Group	Land and buildings £000	Plant and machinery and other assets £000	Total £000
Cost			
At 1 January 2010	3,805	4,895	8,700
Additions	4	323	327
Transfers intra group	(718)	718	-
Disposals	-	(212)	(212)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	3,091	5,724	8,815
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2010	1,273	3,951	5,224
Charge for the year	110	418	528
Transfers intra group	(422)	422	-
On disposals	-	(206)	(206)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	961	4,585	5,546
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2010	2,130	1,139	3,269
	<hr/>	<hr/>	<hr/>
At 31 December 2009	2,532	944	3,476
	<hr/>	<hr/>	<hr/>

Included in land and buildings is freehold land at cost of £631,700 (2009 - £631,700) which is not depreciated

At 31 December 2010, included within the net book value of land buildings £1,681,824 (2009 - £1,431,478) relates to freehold land and buildings and £448,311 (2009 - £1,100,534) relates to short term leasehold land and buildings

The net book value of assets held under finance leases and hire purchase contracts, included in plant and machinery above, is £NIL (2009 - £19,586)

The reclassification of assets in the year, between land & buildings and plant, machinery & other assets, has occurred due to maintenance of the fixed asset register. The reclassification gives a fairer presentation of the nature of the assets held.

14. FIXED ASSET INVESTMENTS

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Premier Paper Group Limited	Ordinary	100%
Beswick Paper Limited	Ordinary	100%

GC PAPER LIMITED

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

14 FIXED ASSET INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 31 December 2010 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £000	Profit/(loss) £000
Premier Paper Group limited	17,525	9,320
Beswick Paper Limited	89	-
		Shares in group undertakings £000
Company		
Cost or valuation		
At 1 January 2010 and 31 December 2010		9,539

15. STOCKS

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Finished goods and goods for resale	12,874	10,120	-	-

16. DEBTORS

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Due after more than one year				
Deferred tax asset (see note 19)	3,000	1,500	-	-
	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Due within one year				
Trade debtors	34,746	30,511	-	-
Other debtors	173	871	-	-
Prepayments and accrued income	612	461	-	-
Deferred tax asset (see note 19)	2,000	-	-	-
	37,531	31,843	-	-

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. CREDITORS:
Amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans and overdrafts	23,827	22,460	-	-
Trade creditors	18,954	19,147	-	-
Social security and other taxes	3,285	2,529	-	-
Other creditors	1,200	2,028	-	500
	47,266	46,164	-	500

Bank overdrafts represent money advanced under an invoice discounting facility which is secured on the trade debtors of the group and a floating charge over other assets of all group companies

Details of security held by the bank in respect of bank loans are given in note 18

18. CREDITORS:
Amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans	988	1,072	-	-
Amounts owed to group undertakings	-	-	9,539	9,039
	988	1,072	9,539	9,039

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Repayable by instalments	626	723	-	-
Repayable other than by instalments	40	40	-	-
	666	763	-	-

The bank loan is repayable by monthly repayments over 20 years. Interest is charged on the loan at 2.4% per annum over the Bank's Sterling Base Rate

The bank loan is secured over the freehold property, a debenture comprising fixed and floating charges over all the assets and undertaking of Premier Paper Group Limited and also a debenture comprising fixed and floating charges over all the assets and undertakings of GC Paper Limited. The bank also holds an unlimited composite company guarantee given by GC Paper Limited and Premier Paper Group Limited to secure all liabilities of each other.

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. DEFERRED TAXATION

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
At beginning of year	1,500	1,500	-	-
Released during the year	3,500	-	-	-
At end of year	5,000	1,500	-	-

The deferred taxation balance is made up as follows

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Short term timing differences	15	150	-	-
Tax losses brought forward	3,720	1,350	-	-
Capital allowances	1,265	-	-	-
	5,000	1,500	-	-

A deferred tax asset has been provided on the basis that future suitable taxable profits against which the asset can be deducted are considered to be probable over a two year period

The deferred tax asset provided is included in debtors and has been split between due within one year and due after more than one year in note 16 in accordance with the period over which it is anticipated to be utilised

20. SHARE CAPITAL

	2010	2009
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

21. RESERVES

Group	Profit and loss account £000
At 1 January 2010	650
Profit for the year	9,151
Dividends Equity capital	(500)
Pension reserve movement	125
At 31 December 2010	9,426

GC PAPER LIMITED

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

21. RESERVES (continued)

	Profit and loss account £000
Company	
Profit for the year	500
Dividends Equity capital	(500)
	<hr/>
At 31 December 2010	-
	<hr/>

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £000	2009 £000
Group		
Opening shareholders' funds	650	22
Profit for the year	9,151	915
Dividends (Note 23)	(500)	-
Other recognised gains and losses during the year	125	(287)
	<hr/>	<hr/>
Closing shareholders' funds	9,426	650
	<hr/>	<hr/>
	2010	2009
	£000	£000
Company		
Opening shareholders' funds	-	-
Profit for the year	500	-
Dividends (Note 23)	(500)	-
	<hr/>	<hr/>
Closing shareholders' funds	-	-
	<hr/>	<hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The profit for the year dealt with in the accounts of the company was £500,000 (2009 - £NIL)

23. DIVIDENDS

	2010 £000	2009 £000
Dividends paid on equity capital	500	-
	<hr/>	<hr/>

24. NET CASH FLOW FROM OPERATING ACTIVITIES

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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	2010 £000	2009 £000
Operating profit	6,335	1,591
Amortisation of intangible fixed assets	169	86
Depreciation of tangible fixed assets	528	564
Profit on disposal of tangible fixed assets	(27)	(22)
(Increase)/decrease in stocks	(2,754)	1,011
(Increase)/decrease in debtors	(3,688)	7,038
Decrease in creditors	(266)	(3,735)
Pension contributions on defined benefit scheme in excess of charge	(200)	(212)
Net cash inflow from operations	97	6,321

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010 £000	2009 £000
Returns on investments and servicing of finance		
Interest received	-	3
Interest paid	(616)	(569)
Net cash outflow from returns on investments and servicing of finance	(616)	(566)
	2010 £000	2009 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(327)	(313)
Sale of tangible fixed assets	34	22
Net cash outflow from capital expenditure	(293)	(291)
	2010 £000	2009 £000
Financing		
Repayment of loans	(82)	(77)

GC PAPER LIMITED

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

26. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £000	Cash flow £000	Other non-cash changes £000	31 December 2010 £000
Cash at bank	181	(29)	-	152
Invoice discounting facility	(22,378)	(1,365)	-	(23,743)
	<u>(22,197)</u>	<u>(1,394)</u>	<u>-</u>	<u>(23,591)</u>
Debt:				
Debts due within one year	(82)	82	(84)	(84)
Debts falling due after more than one year	(1,072)	-	84	(988)
Deferred consideration	(500)	500	-	-
	<u>(23,851)</u>	<u>(812)</u>	<u>-</u>	<u>(24,663)</u>
Net debt	<u>(23,851)</u>	<u>(812)</u>	<u>-</u>	<u>(24,663)</u>

27. CONTINGENT LIABILITIES

The company has given cross guarantees and indemnities over all of the borrowings of the G C Paper Limited group in favour of Lloyds TSB Commercial Finance Limited. Total group borrowings as at the year end secured by these guarantees and indemnities amounted to £23,743,000 (2009 - £22,378,000).

The company is also party to a deed of priority with Lloyds TSB Commercial Finance, HSBC Bank Plc, Premier Paper Group Limited, G C Paper Limited and Beswick Paper Limited.

28. PENSION COMMITMENTS

Defined contribution scheme

The group operates a defined contribution pension scheme, which is open to all employees. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £474,028 (2009 - £495,890).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

F J Beswick (Paper) Limited Pension & Life Assurance Scheme

This is a defined benefit scheme previously operated by Beswick Paper Limited. The scheme was closed to the future accrual of benefit in March 2003. Further contributions are being made to eliminate the deficiency by 2020.

The assets and liabilities of the pension scheme are included in the balance sheet. Actuarial gains and losses are recognised in the statement of recognised gains and losses. The figures as at July 2007 have been updated in order to assess the additional disclosures required under FRS 17 as at 31 December 2010 by an independent qualified actuary.

The scheme holds quoted securities and these have been valued at bid-price.

The overall expected long term return on scheme assets is a weighted average of expected long term return of equity securities, debt securities and other assets. The returns on each category are as follows:

- The long term expected rate of return on properties and equities is 8.0% (2009 - 8.0%)
- The long term expected rate of return on corporate bonds is 5.3% (2009 - 5.5%)
- The long term expected rate of return on fixed interest gilts and index linked bonds is 4.2% (2009 -

GC PAPER LIMITED

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

28. PENSION COMMITMENTS (continued)

4.5%)

- Cash is expected to yield a 4.2% return (2009 - 4.0%)

The amounts recognised in the balance sheet are as follows

	2010	2009
	£000	£000
Present value of funded obligations	(6,234)	(5,778)
Fair value of scheme assets	5,501	4,678
	<hr/>	<hr/>
Deficit in scheme	(733)	(1,100)
Deficit	(733)	(1,100)
Related deferred tax asset	198	308
	<hr/>	<hr/>
Net liability	(535)	(792)
	<hr/> <hr/>	<hr/> <hr/>

The pension scheme assets include ordinary shares issued by GC Paper Limited with a fair value of £NIL (2009 - £NIL). Scheme assets also include property occupied by GC Paper Limited with a fair value of £NIL (2009 - £NIL).

The amounts recognised in profit or loss are as follows

	2010	2009
	£000	£000
Interest on obligation	(336)	(321)
Expected return on scheme assets	317	247
	<hr/>	<hr/>
Total	(19)	(74)
	<hr/> <hr/>	<hr/> <hr/>

Changes in the present value of the defined benefit obligation are as follows

	2010	2009
	£000	£000
Opening defined benefit obligation	5,778	4,859
Interest cost	336	321
Actuarial Losses	282	742
Benefits paid	(162)	(144)
	<hr/>	<hr/>
Closing defined benefit obligation	6,234	5,778
	<hr/> <hr/>	<hr/> <hr/>

GC PAPER LIMITED

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

28 PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets are as follows

	2010 £000	2009 £000
Opening fair value of scheme assets	4,678	4,017
Expected return	317	247
Actuarial gains and (losses)	468	344
Contributions by employer	200	214
Benefits paid	(162)	(144)
	<u>5,501</u>	<u>4,678</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £188,000 (2009 - £2,000)

The group expects to contribute £200,000 to its defined benefit pension scheme in 2011

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2010	2009
Fixed interest bonds	4.00 %	12.00 %
Equities	74.00 %	64.00 %
Cash	7.00 %	17.00 %
Corporate bonds	14.00 %	7.00 %
Index linked bonds	1.00 %	- %

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2010	2009
Inflation	2.75 %	2.75 %
Rate of increase of pension is deferment	2.75 %	2.75 %
Discount rate for liabilities	5.70 %	5.90 %
Rate of increase of pensions in payment	3.00 %	3.00 %

Amounts for the current and previous four periods are as follows

Defined benefit pension schemes

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Defined benefit obligation	(6,234)	(5,778)	(4,859)	(5,543)	(5,309)
Scheme assets	5,501	4,678	4,017	4,676	4,343
Deficit	<u>(733)</u>	<u>(1,100)</u>	<u>(842)</u>	<u>(867)</u>	<u>(966)</u>
Experience adjustments on scheme liabilities	-	-	-	176	-
Experience adjustments on scheme assets	468	344	(1,003)	(70)	92

GC PAPER LIMITED

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

29 OPERATING LEASE COMMITMENTS

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows

Group	Land and buildings		2010 £000	Other 2009 £000
	2010 £000	2009 £000		
Expiry date:				
Within 1 year	-	106	148	99
Between 2 and 5 years	1,274	156	196	377
After more than 5 years	236	1,172	364	48

30. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with other wholly owned members of the group headed by GC Paper Limited

During the year a dividend of £500,000 was paid to the shareholders and directors of GC Paper Limited (split equally)

31. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party

32 PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding
Premier Paper Group Limited	England	100
GC Holdings Limited	England	100