

Registered number: 2208565

M-real UK Services Limited

Directors' report and financial statements

for the year ended 31 December 2014

WEDNESDAY



A4H0S176

A10

30/09/2015

#43

COMPANIES HOUSE

M-real UK Services Limited

Company Information

Directors P M Holm (appointed 27 March 2015)
H T Sederholm (appointed 27 March 2015)

Registered number 2208565

Registered office Old Golf Course
Fishtoft Road
Boston
Lincolnshire
PE21 0BJ

Independent auditor KPMG LLP
1 Tilgate Forest Business Centre
Brighton Road
Crawley
RH11 9PT

M-real UK Services Limited

Contents

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

M-real UK Services Limited

**Directors' report
for the year ended 31 December 2014**

The directors present their report and the audited financial statements of M-real UK Services Limited (the "Company") for the year ended 31 December 2014.

Principal activities

The Company's principal activity had comprised of the conversion of paper reels into sheets and sale of paper reels and sheets.

All manufacturing operations ceased in 2009 and the properties owned by the Company have been sold.

Directors

The directors who served during the year were:

M Morsky (resigned 27 March 2015)
J Tuloisela (resigned 27 March 2015)

P M Holm and H T Sederholm were appointed as directors on 27 March 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

M-real UK Services Limited

**Directors' report
for the year ended 31 December 2014**

Disclosure of information to 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'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's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006 and the exemption available in section 414B of that Act not to prepare a Strategic Report.

This report was approved by the board and signed on its behalf.



H T Sederholm
Director

Date: *30 SEPTEMBER 2015*

Independent auditor's report to the members of M-real UK Services Limited

We have audited the financial statements of M-real UK Services Limited for the year ended 31 December 2014, set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

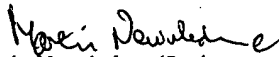
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of M-real UK Services 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, 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 take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.


Martin Newsholme (Senior statutory auditor)
for and on behalf of
KPMG LLP
Chartered Accountants and Statutory Auditors
1 Tilgate Forest Business Centre
Brighton Road
Crawley
RH11 9PT
Date: 30 September 2015

M-real UK Services Limited

**Profit and loss account
for the year ended 31 December 2014**

	Note	2014 £000	2013 £000
Other operating charges		20	5
Interest receivable and similar income	5	3	3
Profit on ordinary activities before taxation		23	8
Tax on profit on ordinary activities	6	(1)	-
Profit for the financial year	11	22	8

The Company had no recognised gains or losses other than those states above, the whole of which were derived from discontinued operations as detailed in the director's report.

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before taxation.

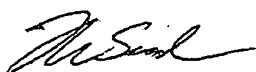
The notes on pages 7 to 12 form part of these financial statements.

M-real UK Services Limited
Registered number: 2208565

**Balance sheet
as at 31 December 2014**

	Note.	£000	2014 £000	£000	As restated 2013 £000
Current assets					
Debtors	7	664		694	
Creditors: amounts falling due within one year	8	(58,274)		(58,291)	
Net current liabilities			(57,610)		(57,597)
Total assets less current liabilities			(57,610)		(57,597)
Provisions for liabilities					
Other provisions	9				(35)
Net liabilities			(57,610)		(57,632)
Capital and reserves					
Called up share capital	10		65,000		65,000
Share premium account	11		9,800		9,800
Capital contribution reserve	11		40,000		40,000
Profit and loss account	11		(172,410)		(172,432)
Shareholders' deficit	12		(57,610)		(57,632)

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



H T Sederholm
Director

Date: 30 SEPTEMBER 2015

The notes on pages 7 to 12 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2014**

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

As the Company is a wholly owned subsidiary of Metsä Board Oyj, the Company has taken advantage of the exemption contained in Financial Reporting Standard Number 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Metsä Board Oyj can be obtained from the address given in note 15.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £57,610,000, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Metsä Board Oyj, its ultimate parent and by other companies under the control of Metsä Board Oyj. Metsä Board Oyj has indicated that for at least 12 months from the date of signing of these financial statements it will continue to make available such funds as are needed by the Company to enable it to meet its obligations as they fall due. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment and hence the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.2 Adjustments to the financial statements

In the financial year to 31 December 2014, through reconciliation of intercompany balances, it was identified that a waiver of intercompany debt issued in 2009 had only been accounted for in one of the parties. M-real UK Holdings Limited waived £40,000,000 of the debt owed to it by M-real UK Services Limited, but this had not been reflected in the financial statements of M-real UK Services Limited. Due to this, the comparatives in the financial statements to 31 December 2014 have been restated to reflect the waived debt. The impact of this can be seen in notes 8, 11 and 12. The net impact is that the opening balance at 1 January 2013 has £40,000,000 lower intercompany creditors and a £40,000,000 higher capital contribution reserve.

1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers.

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the Company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes to the financial statements
for the year ended 31 December 2014

1. Accounting policies (continued)

1.6 Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for tax and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard Number 19 "Deferred Tax".

1.7 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.8 Leasing and hire purchase

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

1.9 Pensions

The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against the profit and loss accounts represents the contributions payable to the scheme in respect of the accounting period.

2. Operating profit

The operating profit is stated after charging:

	2014 £000	2013 £000
Auditor's remuneration	5	4
Operating lease rentals: - plant and machinery	49	103
	<hr/>	<hr/>

3. Staff costs

The Company has no employees other than the directors, who did not receive any remuneration (2013 - £NIL).

M-real UK Services Limited

**Notes to the financial statements
for the year ended 31 December 2014**

4. Directors' remuneration

No directors received remuneration during the year in respect of their services as directors of the Company (2013: £nil). Similarly none of the directors are included in the Company's pension schemes, nor did the Company make any contribution, on their behalf to any other pension scheme.

5. Interest receivable

	2014 £000	2013 £000
Interest receivable from bank	<u>3</u>	<u>3</u>

6. Taxation

	2014 £000	2013 £000
UK corporation tax charge on profit for the year	<u>1</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	<u>23</u>	<u>8</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%)	5	2
Effects of:		
Utilisation of tax losses	(4)	(2)
Current tax charge for the year (see note above)	<u>1</u>	<u>-</u>

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014 and therefore the results of the Company are taxed at a rate of 21.50% (2013 - 23.25%). A further reduction to 20% effective from 1 April 2015 was enacted on 17 July 2013. In the Budget on 8 July 2015, the Chancellor announced further planned reductions to 18% by 2020. This will reduce the Company's future current tax charge accordingly. The measurement of deferred tax assets and liabilities at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

M-real UK Services Limited

**Notes to the financial statements
for the year ended 31 December 2014**

7. Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings and undertakings in which the Company has a participating interest	663	667
Other debtors	1	3
Prepayments	-	24
	<u>664</u>	<u>694</u>

**8. Creditors:
Amounts falling due within one year**

	2014 £000	As restated 2013 £000
Trade creditors	-	14
Amounts owed to group undertakings and undertakings in which the Company has a participating interest	4,290	4,290
Corporation tax	1	-
Non equity preference shares	53,896	53,896
Accruals and deferred income	87	91
	<u>58,274</u>	<u>58,291</u>

The preference shares are redeemable at the option of the shareholder at any time after 2 March 2002.

The preference shareholders have the right on redemption, winding up or other return of capital to repayment in priority to any payment to the holders of any other shares in the capital of the Company of:

- (i) The nominal amount of the preference share; and
- (ii) The amount of any accruals of the preferential dividend, to be calculated down to and including the date of redemption or commencement of the winding up or return of capital, to be payable whether or not the preferential dividend has been declared or earned.

The preference shares offer no further rights to participate in the profits or the assets of the Company.

Each preference share has the right to one vote.

M-real UK Services Limited

**Notes to the financial statements
for the year ended 31 December 2014**

9. Provisions

	Other provisions £000
At 1 January 2014	35
Amounts used	(1)
Amounts reversed to profit and loss account	(34)
At 31 December 2014	<u>-</u>

Other provisions

The provision of £nil (2013: £35,000) has been made in respect of cessation costs.

Given the uncertainty of the recoverability of some historic trading losses and the reduction in trading activities it was not considered appropriate to create a deferred tax asset.

10. Share capital

	2014 £	2013 £
Authorised		
80,000,100 Ordinary shares of £1 each	<u>80,000,100</u>	<u>80,000,100</u>
Allotted, called up and fully paid		
65,000,001 Ordinary shares of £1 each	<u>65,000,001</u>	<u>65,000,001</u>

11. Reserves

	Share premium account £000	Capital contribution reserve (as restated) £000	Profit and loss account £000
At 1 January 2014	9,800	40,000	(172,432)
Profit for the financial year	-	-	22
At 31 December 2014	<u>9,800</u>	<u>40,000</u>	<u>(172,410)</u>

The opening reserves have been restated to include a capital contribution received in a previous year amounting to £40,000,000 - see note 1.2.

M-real UK Services Limited

**Notes to the financial statements
for the year ended 31 December 2014**

12. Reconciliation of movement in shareholders' deficit

	2014 £000	As restated 2013 £000
Opening shareholders' deficit	(57,632)	(57,640)
Profit for the financial year	22	8
Closing shareholders' deficit	<u>(57,610)</u>	<u>(57,632)</u>

The opening reserves have been restated to include a capital contribution received in a previous year amounting to £40,000,000 - see note 1.2.

13. Pension commitments

In 2008 the Company closed the defined benefit pension scheme in which it participated and transferred the assets and liabilities to an insurance company.

The Company also operates a defined contribution pension scheme, which is open to all employees. No contributions were payable by the Company to the fund during the year (2013 - £nil).

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

14. Other financial commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2014 £000	2013 £000
Expiry date:		
Within 1 year	-	45

15. Ultimate parent undertaking and controlling party

The immediate parent company is M-real UK Holdings, a company incorporated in the UK. The largest and smallest group in which the results of the Company are consolidated is that headed by Metsä Board Oyj, a company incorporated in Finland, which is regarded as the ultimate parent company. The consolidated financial statements of the group are available to the public and can be obtained by writing to Metsä Board Oyj, Corporate Communications, PO Box 20, FI-02020 Metsä, Finland. The ultimate controlling party is Metsäliitto Cooperative.