

Aylesford Newsprint Holdings Limited
Annual report
for the year ended 31 December 2013

Registered number: 02816412

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Aylesford Newsprint Holdings Limited
Annual report
for the year ended 31 December 2013
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Aylesford Newsprint Holdings Limited

Strategic report for the year ended 31 December 2013

Business review and principal activities

Aylesford Newsprint Holdings ("the group") manufactures prime quality newsprint from 100% recycled newspapers and magazines on a single site at Aylesford, Kent.

The results for the group show a loss on ordinary activities prior to recognising an exceptional impairment charge of £14.3 million and before taxation of £14.7 million (2012: £14.3 million). As at 31 December 2013, the group had net cash (including restricted cash) of £16.6 million (2012: £20.7 million) and net assets of £36.7 million (2012: £66.9 million). Net cash outflow from operating activities for the year was £2.5 million (2012: £12.9 million).

The directors consider the performance of the group in 2013 to reflect the oversupply of newsprint in the European market (putting pressure on the sales price of newsprint), and the rising cost of raw materials, specifically recovered paper and gas.

Business environment

There are three newsprint manufacturers in the UK, with a significant part of the market being served by imports. Industry statistics show that demand for newsprint in the UK reduced by 6% in 2013.

Strategy

The company will focus on manufacturing efficiency improvements and will continue to invest in order to meet the quality demands of its customer.

Future development

The group continues to experience overcapacity in the manufacture of newsprint resulting in pressure on selling price and management continue to focus on controlling costs.

Principal risks and uncertainties

The key business risks and uncertainties affecting the group are considered to be the balance between supply and demand for newsprint and the impact on recovered paper and the cost of gas.

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

Price risk

The group 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 seeks to minimise the swings in price.

Credit risk

The group 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 Holdings Limited

Strategic report for the year ended 31 December 2013 (continued)

Liquidity risk

The group maintains a working capital finance facility that is designed to ensure the company has sufficient funds for operations and any expansion plans.

Key performance indicators ("KPIs")

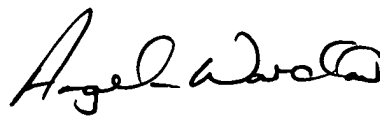
	2013 %	2012 %	
Operating margin	(10.7)*	(10.1)	The continuing negative margin reflects the continued pressure on selling price.
Return on invested capital	(70.2)*	(30.9)	The percentage increase reflects the reduction in valuation of the invested capital.
Employee retention / staff turnover	3.6	16.5	2012 reflected a restructuring of personnel resulting in redundancies of 10%. 2013 has returned to a more expected level

*before impairment charge of £14.3m

The strategic report was approved by the Board of directors on 17 December 2014 and was signed on its behalf by:



Mr KL Kouakou
Director



Ms A Wardlaw
Director

Aylesford Newsprint Holdings Limited

Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the consolidated group and company for the year ended 31 December 2013.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Executive directors

Mr KL Kouakou

Mr IR Broxup resigned 28 July 2014

Ms A Wardlaw

Non-executive directors

Mr G Roland

Mr K Rosenqvist-Packalen

Directors' indemnities

The group maintains liability insurance for its directors and officers and also provides an indemnity for its directors and the company secretary. This policy is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 and was in force during the financial year and also at the date of approval of these financial statements.

Future development

The future developments of the group are outlined in the Strategic Report on page 1.

Employees

Disabled persons

The group 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 group 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 group 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 group performance and regular company newsletters. Information is published both in print and electronically.

In addition, the group operates two information and consultation forums: the Operating Council for the negotiated workforce and the Joint Consultative Forum for the remainder of its employees.

Aylesford Newsprint Holdings Limited

Directors' report for the year ended 31 December 2013 (continued)

Research and development

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

Dividends

The company has not paid any dividends during the year (2012: nil). The directors do not recommend the payment of a dividend (2012: none).

Political contributions

The group and company made no political contributions (2012: nil).

Policy and practice on payment of creditors

General terms of payment to suppliers are end of month following date of invoice. At the year end the amount of days outstanding on the balance of the trade creditors in the group was 43 days. The average time to pay an invoice during 2013 was 37 days.

Land and buildings

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

Going concern

The financial statements have been prepared on a going concern basis. The directors consider that the group and company will have sufficient resources available to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. In arriving at this conclusion, the directors have prepared a detailed cashflow forecast covering a period in excess of the next 12 months. This forecast, by its nature, includes a number of assumptions about future performance, being the directors' best estimate at the current time. Key assumptions used in the model include revenue decline of 3% (2014-2015), the use of current indices and forward estimates for key input materials which gives a gross margin of 26% before fixed costs, with combined maintenance and capital expenditure of £10.9m.

The directors have also considered available financing and other mitigating actions that could be taken if necessary and have concluded that sufficient funds will be available.

Statement of disclosure of information to auditors

So far as each of 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 of 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 Holdings Limited

Directors' report for the year ended 31 December 2013 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report 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 prepared the group and parent company 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 group and the company 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The directors' report was approved by the Board of directors on 17 December and was signed on its behalf by:



Mr KL Kouakou

Director

17 December 2014



Ms A Wardlaw

Director

Registered number: 02816412

Aylesford Newsprint Holdings Limited

Independent auditors' report to the members of Aylesford Newsprint Holdings Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2013 and of the group's loss and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Aylesford Newsprint Holdings Limited, comprise:

- the Consolidated and Company balance sheets as at 31 December 2013;
- the Consolidated Profit and Loss Account and the Consolidated Statement of Total Recognised Gains and Losses for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Aylesford Newsprint Holdings Limited

Independent auditors' report to the members of Aylesford Newsprint Holdings Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.


Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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 ISAs (UK & 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.



Peter Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
22 December 2014

Aylesford Newsprint Holdings Limited
Consolidated profit and loss account for the year ended
31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	3	138,672	144,622
Exceptional operating expenses		(14,263)	-
Exceptional operating income		1,994	-
Other operating expenses excluding exceptional items		(155,524)	(159,215)
Total operating Expenses	4	(167,793)	(159,215)
Operating loss	5	(29,121)	(14,593)
Interest receivable and similar income	8	114	11
Interest payable and similar charges	9	(652)	(769)
Other finance income	20	643	1,065
Loss on ordinary activities before taxation		(29,016)	(14,286)
Tax on loss on ordinary activities	10	266	(546)
Loss for the financial year	22	(28,750)	(14,832)

All of the activities of the group are continuing.

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

Aylesford Newsprint Holdings Limited
Consolidated statement of total recognised gains and losses
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Loss for the financial year		(28,750)	(14,832)
Actuarial loss recognised in the pension scheme	20	(1,217)	(4,268)
Movement on deferred tax relating to actuarial loss		283	1,046
Movement on deferred tax relating to tax rate changes		(549)	(500)
Total recognised losses for the financial year		(30,233)	(18,554)

Aylesford Newsprint Holdings Limited

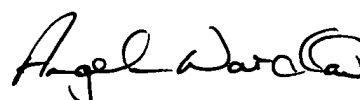
Balance sheets as at 31 December 2013

		2013		2012	
	Note	Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Tangible assets	13	27,705	-	47,427	-
Investments	14	-	-	-	16,000
		27,705	-	47,427	16,000
Current assets					
Stocks	15	8,364	-	9,757	-
Debtors:					
– amounts falling due within one year	16	13,690	-	18,625	-
Restricted cash deposits	17	17,140	17,140	17,000	17,000
Cash at bank and in hand		3,915	-	3,749	-
		43,109	17,140	49,131	17,000
Creditors: amounts falling due within one year	18	(28,201)	-	(19,939)	-
Net current assets/(liabilities)		14,908	17,140	29,192	17,000
Total assets less current liabilities		42,613	17,140	76,619	33,000
Creditors: amounts falling due after more than one year	18	(558)	-	(1,506)	-
Provisions for liabilities	19	(4,927)	-	(8,168)	-
Net assets excluding pension deficit		37,128	17,140	66,945	33,000
Pension deficit	20	(417)	-	(1)	-
Net assets including pension deficit		36,711	17,140	66,944	33,000
Capital and reserves					
Called up share capital	21	20	20	20	20
Share premium account	22	138,581	138,581	138,581	138,581
Capital redemption reserve	22	80	80	80	80
Profit and loss reserve	22	(101,970)	(121,541)	(71,737)	(105,681)
Total shareholders' funds	23	36,711	17,140	66,944	33,000

The financial statements on pages 8-32 were approved by the Board of directors on 17 December 2014 and were signed on its behalf by:



Mr KL Kouakou
Director



Ms A Wardlaw
Director

Aylesford Newsprint Holdings Limited
Consolidated cash flow statement
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash outflow from operating activities	27	(2,509)	(12,904)
Returns on investments and servicing of finance			
Interest received		114	11
Interest paid		(652)	(769)
Net cash outflow from returns on investments and servicing of finance		(538)	(758)
Taxation			
Corporation tax paid		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,069)	(1,997)
Sale of tangible fixed assets		3	5
Net cash outflow for capital expenditure		(1,066)	(1,992)
Net cash outflow before financing		(4,113)	(15,654)
Financing			
Issue of new shares		-	70,619
Repayment of external debts/loans		-	(43,119)
Increase in restricted cash		(140)	(17,000)
Net cash (outflow)/inflow from financing		(140)	10,500
Net cash outflow after financing		(4,253)	(5,154)
Non-cash movements			
Recapitalisation of Inter-company debt		-	43,119
(Decrease)/increase in net cash in the year	28	(4,253)	37,965

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013

1 Group structure

The company holds 100% of the nominal value of the shares in the following companies, both of which are incorporated in Great Britain:

	Ordinary share capital £	Principal activity
Aylesford Newsprint Services Limited	338,032	Production of power and steam supply
Aylesford Newsprint Limited	75,000,000	Production of newsprint

2 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 (United Kingdom Generally Accepted Accounting Principles). 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. The directors consider that the group and company will have sufficient resources available to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. In arriving at this conclusion, the directors have prepared a detailed cashflow forecast covering a period in excess of the next 12 months. The directors have also considered available financing and other mitigating actions that could be taken if necessary and have concluded that sufficient funds will be available.

Basis of consolidation

The group financial statements include the financial statements of the company and all of its subsidiary companies for the year ended 31 December 2013. The group companies have consistent accounting policies and profits or losses and balances on intra-group transactions are eliminated on consolidation.

Tangible fixed assets and depreciation

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 are amortised over the life of the respective 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. Freehold buildings are amortised over their estimated useful lives. Estimated useful lives for 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.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Principal accounting policies (continued)

Tangible fixed assets and depreciation (continued)

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. When a review indicates that impairment is required, the impairment write down is calculated in reference to the higher of the fixed assets net realisable value and value in use. Value in use is determined by discounting cash flows over an appropriate number of years reflecting the remaining useful life of the assets. The basis of the discount rate used is calculated with reference to the weighted average cost of capital.

Stock

Stock is 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.

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 or where the service has been supplied to the customer. 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 group has exercised the exemption under Financial Reporting Standard 8 'related party disclosures' and has not disclosed transactions between group companies. The company has disclosed all other related party transactions (see note 30).

Current tax

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

Deferred tax

Deferred tax is measured at the average tax rates 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.

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.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Principal accounting policies (continued)

Pensions

The group 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 group in independently administered funds. The scheme has been closed to new entrants since April 2003.

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 year 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.

The group 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 is written off in the year in which it is incurred. Expenditure on development is capitalised when it is assessed by management to meet the appropriate criteria.

Grants

Grants relating to specific capital expenditure are treated as deferred income and are credited to the profit and loss account over the useful economic 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.

Trade debtors

Trade debtors arise as a result of trading transactions in the group. 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 group 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.

Investments in subsidiaries

Investments are stated at cost less provision for any diminution in value.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Turnover

	Group	
	2013	2012
	£'000	£'000
Turnover – by destination:		
Paper sales		
- UK	91,534	83,809
- Rest of Europe	42,605	45,947
- Rest of World	3,425	13,685
Power and steam supplies - UK	1,108	1,181
	138,672	144,622

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

	2013	2012
	£'000	£'000
Operating loss – by destination		
Paper - UK	(19,222)	(8,457)
- Rest of Europe	(8,947)	(4,636)
- Rest of World	(719)	(1,381)
Power and steam supplies - UK	(233)	(119)
	(29,121)	(14,593)

Costs relating to paper and power and steam 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.

An analysis of net assets attributable to each class of business has not been provided as the group's manufacturing of newsprint and supplying of power and steam are managed on a unified basis at the Aylesford site. In the opinion of the directors, such an analysis will not assist users in their understanding of the financial statements.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

4 Net operating expenses

	Group	
	2013	2012
	£'000	£'000
Change in stocks of finished goods and work in progress	1,393	2,816
Other operating income	(981)	(93)
Exceptional operating income	(1,994)	-
Raw materials and consumables	108,967	105,878
Other external charges	25,587	27,183
Employment costs (note 7)	14,852	14,783
Depreciation of tangible fixed assets owned (note 13)	6,528	6,049
Impairment of tangible fixed assets owned (note 13)	14,263	-
Decommissioning costs of Margetts Pit	-	2,837
Amortisation of government grants (note 18)	(948)	(950)
Research and development costs	126	712
	167,793	159,215

5 Operating loss

Operating loss is stated after charging/ (crediting):

	Group	
	2013	2012
	£'000	£'000
Exchange losses / (gains)	(124)	97
Profit on disposal of CO2 allowances	(1,994)	-
Profit on disposal of tangible fixed assets	(3)	(5)

Services provided by the group's auditors and network firms

During the year the group obtained the following services from the group's auditors as detailed below:

	Group	
	2013	2012
	£'000	£'000
Audit services		
Fees payable to company auditor for the audit of parent company and consolidated financial statements	20	22
The audit of company's subsidiaries pursuant to legislation	55	58
	75	80

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

	Group	
	2013	2012
	£'000	£'000

6 Directors' emoluments

	Group	
	2013	2012
	£'000	£'000
Aggregate emoluments	512	-
Highest paid director		
Aggregate emoluments	237	-
Aggregate value of company contributions paid to a money purchase scheme in respect of qualifying services	23	-

No retirement benefits are accruing to any director (2012: £nil) under the defined benefit scheme.
Non-executive directors were remunerated by the parent undertaking for their services to the group.

7 Employee information

The average monthly number of persons employed by the group, including the executive director, is analysed below:

	Group		Company	
	2013	2012	2013	2012
	Number	Number	Number	Number
Management/administration	99	97	2	2
Production	188	188	-	-
Selling and distribution	18	19	-	-
	305	304	2	2

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Staff costs (for the above persons)				
Wages and salaries	11,628	11,871	363	101
Social security costs	1,266	1,119	154	11
Other pension costs	1,958	1,793	38	21
Total direct costs of employment	14,852	14,783	555	133

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Interest receivable and similar income

	Group	
	2013	2012
	£'000	£'000
Bank interest receivable	114	11
	114	11

9 Interest payable and similar charges

	Group	
	2013	2012
	£'000	£'000
On bank loans repayable by instalments	652	648
Interest payable to parent undertaking	-	121
	652	769

10 Tax on loss on ordinary activities

(a) Analysis of tax credit for the financial year

Group	2013	2012
	£'000	£'000
Current tax		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	381	-
Adjustment attributable to change of tax rate	(549)	(500)
Pension cost relief in excess of pension charge	(98)	1,046
Total deferred tax	(266)	546
Tax on loss on ordinary activities	(266)	546

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Tax on loss on ordinary activities (continued)

(b) Factors affecting tax for the year

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	(29,016)	(14,286)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012:24.5%).	(6,746)	(3,500)
Effects of:		
Expenses not deductible for tax purposes	3	6
Depreciation in excess of capital allowances	4,832	1,478
Other timing differences	(753)	86
Capital items expensed	1	4
Government grant amortisation	(220)	(233)
Losses carried forward	3,071	3,662
Pension cost relief in excess of pension charge	(188)	(1,503)
Total current tax	-	-

(c) Factors affecting future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 24% to 23% from 1 April 2013.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Act 2013 on 2 July 2013. These reduce the main rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

The deferred tax assets and liabilities have been updated to reflect the reduction in the rates.

11 Dividends

No dividends were paid during 2013 (2012: £nil).

12 Profit / Loss for the year

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The company made a loss of £15,860,000 after recognising an exceptional impairment charge of £16,000,000 (2012: £69,450,000 after writing off an intercompany loan of £71,942,000) and after taxation in the financial year.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

13 Tangible fixed assets

Group	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2013	103,362	313,605	416,967
Additions	-	1,069	1,069
Disposals	-	(215)	(215)
At 31 December 2013	103,362	314,459	417,821
Accumulated depreciation			
At 1 January 2013	75,690	293,850	369,540
Charge for the year	-	6,528	6,528
Impairment	-	14,263	14,263
Disposals	-	(215)	(215)
At 31 December 2013	75,690	314,426	390,116
Net book amount			
At 31 December 2013	27,672	33	27,705
At 31 December 2012	27,672	19,755	47,427

The Directors have carried out an impairment review to support the carrying value of the fixed assets. This review was based on a value in use calculation that indicated an impairment loss of £14.3m to be recorded against the plant and equipment. This calculation uses cash flow projections based on five year financial forecasts prepared by management. The value in use calculation, by its nature, includes a number of assumptions, the most significant of which are:

- Revenue growth of 0% for years 2014 to 2018
- Gross margin of 26% for years 2014 to 2015, 28% for 2016 to 2018
- Long term growth rate of 0%
- Discount rate of 10%

The carrying value of land was also considered and management believe it is to be held at the lower of cost and net realisable value.

Plant and equipment includes construction in progress totalling £33,000 (2012: £317,000) which has not been depreciated.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

14 Investments

	2013		2012	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Investments in subsidiaries at cost (note 1)	-	-	-	16,000

As a result of a continuing challenging market, the directors of the subsidiary Aylesford Newsprint Limited completed an impairment review of the carrying value of the plant and machinery of that subsidiary during this year. This exercise was based on a discounted cashflow forecast and resulted in an impairment of £14.3m being recognised against those assets. As a result of this impairment and current future forecasts, the directors of the Company do not consider the carrying value of its investment in Aylesford Newsprint Limited to be supportable and have therefore recorded an impairment of the investment of £16m.

15 Stocks

	2013		2012	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Raw materials and consumables	4,337	-	4,819	-
Finished goods	4,027	-	4,938	-
	8,364	-	9,757	-

16 Debtors

	2013		2012	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	11,938	-	15,509	-
Taxation and social security	655	-	2,214	-
Other debtors	3	-	-	-
Prepayments and accrued income	1,094	-	902	-
	13,690	-	18,625	-

17 Restricted cash deposits

Restricted cash, arising from the financial restructuring as part of the acquisition of the Aylesford Group, is held in escrow and is expected to be accessible to the company and group on a phased basis from September 2014.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

18 Creditors

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Other loans / Overdraft	4,419	-	-	-
Trade creditors	9,150	-	7,267	-
Accruals and deferred income	13,682	-	11,722	-
Government grants (see below)	950	-	950	-
	28,201	-	19,939	-
Security is granted on others loans by way of a fixed charge over receivables				
Amounts falling due after more than one year:				
Government grants (see below)	558	-	1,506	-
	558	-	1,506	-

	2013 £'000	2012 £'000
Government grants		
At 1 January	2,456	3,406
Amortisation for the year	(948)	(950)
Net grant at 31 December	1,508	2,456
of which - falling due within one year	950	950
- falling due after more than one year	558	1,506

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

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

19 Provisions for liabilities

Group	Closure Costs £'000	Post Closure Costs £'000	Margetts Pit Total Provision £'000
1 January 2013	5,505	2,663	8,168
Utilised in the year	(3,241)	-	(3,241)
Provided for in the financial year	(79)	79	-
31 December 2013	2,185	2,742	4,927

Margetts Pit

The provision for Margetts Pit comprises closure and post closure costs. The decommissioning costs of Margetts Pit relate to the costs that will be incurred by the group in filling the pit with materials in order to change the contour of the landfill site. At the current rate of fill the pit is expected to be completed in 2015. Post closure costs comprise mainly costs associated with monitoring the pit when the site has been fully decommissioned.

Deferred tax

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

	2013 £'000	2012 £'000
Accelerated capital allowances	(9,198)	(5,293)
Other short term timing differences	(10,943)	(9,672)
Non recognition of deferred tax asset	20,141	14,965
	-	-

The cumulative unrecognised deferred tax asset is £20.1m (2012: £15.0m). The deferred tax asset is not recognised as the group is in a loss making position and there is insufficient evidence of future taxable profits and whether the asset would be recovered.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension obligations

The group operates a defined benefit pension plan in the UK which has been closed to new entrants since April 2003. The disclosures set out below are based on calculations carried out as at 31 December 2013 by a qualified independent actuary.

The Plan's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The liabilities of the defined benefit plan are measured by discounting the best estimate of future cash flows to be paid out of the plan.

The liabilities set out in this note have been calculated based on the most recent actuarial valuation at 5 April 2011, updated to 31 December 2013. The results of the calculations and the assumptions adopted are shown below.

The major assumptions used in the FRS17 Retirement benefits valuation at 31 December 2013 by the actuary were:

	2013 Per annum %	2012 Per annum %
Rate of increase in salaries	3.7	3.3
Rate of increase in pensions in payment	3.4	3.2
Discount rate	4.6	4.6
Inflation assumption	3.7	3.3

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

	2013	2012
Male member currently aged 65	23.30	22.86
Female member currently aged 65	26.01	25.61
Male member currently aged 45	25.77	25.34
Female member currently aged 45	28.41	28.03

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pensions obligations (continued)

At 31 December 2013, the mortality assumption was in line with that used in the actuarial valuation at 5 April 2012, 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 appropriate 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 (2012: 25%).

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

	Long term rate of return expected at 31 December 2013	Value at 31 December 2013	Long term rate of return expected at 31 December 2012	Value at 31 December 2012
	%	£'000	%	£'000
Equities	7.80	36,334	6.80	45,490
Bonds	3.80	35,402	3.30	36,462
Cash	0.50	186	0.50	175
Property	7.80	5,963	6.80	5,522
Other	7.80	15,279	-	-
	6.30	93,164	5.33	87,649

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 2013 was a gain of £6.3m (2012: £7.7m).

The following amounts at 31 December 2013 were measured in accordance with the requirements of FRS 17 Retirement benefits:

At 31 December 2013	Group £'000
Total bid value of assets	93,164
Present value of scheme liabilities	93,581
Deficit	(417)
Related deferred tax asset	-
Net pension deficit	(417)

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pensions obligations (continued)

The following amounts at 31 December 2012 were measured in accordance with the requirements of FRS 17 Retirement benefits:

At 31 December 2012

	Group £'000
Total bid value of assets	87,649
Present value of scheme liabilities	87,650
Deficit	(1)
Related deferred tax liability	-
Net pension asset	(1)

Group contributions during the year were £1,578,000 (2012: £6,649,000). Contributions are payable to the plan by the group at the rates set out in the Schedule of contributions.

The groups total contributions expected to be made in the year commencing 1 January 2014 are approximately £456,000.

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

	2013 £'000	2012 £'000
Operating profit:		
Current service costs	(1,176)	(1,577)
Curtailment	(244)	-
Total operating charge	(1,420)	(1,577)
Other finance income:		
Expected return on pension scheme assets	4,638	4,735
Interest on pension scheme liabilities	(3,995)	(3,670)
Net return	643	1,065
Amount charged to profit and loss	(777)	(512)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	1,670	2,922
Experience losses arising on the scheme liabilities	(2,887)	(7,190)
Actuarial loss recognised in STRGL	(1,217)	(4,268)

The cumulative loss recognised in the STRGL to date is £27.3m (2012:£26.1m)

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pensions obligations (continued)

Curtailment

With the closure to the Scheme to future accrual with effect from 31 August 2013, the benefits accrued have moved from a CARE based revaluation (3.45%pa) to a revaluation based upon RPI (3.65%). The increase in revaluation rate has led to an increase in the liabilities and a curtailment loss has been recognised. The curtailment loss has been calculated using market conditions as at 31 August 2013.

	2013 £'000	2012 £'000
Movement in present value of plan assets		
Assets at beginning of the year	87,649	75,728
Movement in the year:		
Expected return on assets	4,638	4,735
Actuarial gains/(losses)	1,670	2,922
Contributions by the employer	1,578	6,649
Benefits paid	(2,371)	(2,385)
Assets at end of the year	93,164	87,649
	2013 £'000	2012 £'000
Movement in present value of plan liabilities		
Liabilities at beginning of the year	(87,650)	(77,598)
Movement in the year:		
Current service cost	(1,176)	(1,577)
Interest cost	(3,995)	(3,670)
Actuarial losses	(2,887)	(7,190)
Loss on Curtailment	(244)	-
Benefits paid	2,371	2,385
Liabilities at end of the year	(93,581)	(87,650)

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pensions obligations (continued)

Details of experience gains and losses	2013	2012	2011	2010	2009
Fair value of scheme assets (£'000)	93,164	87,649	75,728	70,705	59,782
Present value of scheme liabilities (£'000)	93,581	<u>87,650</u>	<u>77,598</u>	<u>67,602</u>	<u>66,380</u>
(Deficit)/surplus in the scheme (£'000)	(417)	(1)	(1,870)	3,103	(6,598)
Experience gains and losses on scheme assets:					
Amount (£'000)	1,670	2,922	(2,702)	4,646	3,563
Percentage of scheme assets	1.8%	3.3%	(3.6%)	6.6%	6.0%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(2,887)	(7,190)	(6,578)	1,817	1,894
Percentage of scheme liabilities	(3.1%)	(8.2%)	(8.5%)	2.7%	2.9%

The plan's assets do not include any of the group's own financial instruments or any property occupied by the group.

The plan closed to new entrants with effect from 6 April 2003.

The group 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 £538,000 (2012: £216,000). There were no contributions prepaid or accrued at the year-end (2012:£ nil).

21 Called up share capital

	Group and company	
	2013	2012
	£	£
Authorised, allotted and fully paid		
1,001,000 (2012: 1,000,000) ordinary A shares of £0.01 each	10,010	10,010
1,001,000 (2012: 1,000,000) ordinary B shares of £0.01 each	10,010	10,010
	20,020	20,020

Ordinary A and B shares carry one vote each and have the same rights to dividends and amounts accruing during a winding-up.

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

22 Reserves

Group	Profit and loss account £'000	Capital redemption reserve £'000	Share premium account £'000	Total reserves £'000
At 1 January 2013	(71,737)	80	138,581	66,924
Loss for the financial year	(28,750)	-	-	(28,750)
Actuarial loss on pension scheme	(1,217)	-	-	(1,217)
Movement on deferred tax relating to pension scheme	(266)	-	-	(266)
At 31 December 2013	(101,970)	80	138,581	36,691

Company	Profit and loss account £'000	Capital redemption reserve £'000	Share premium account £'000	Total reserves £'000
At 1 January 2013	(105,681)	80	138,581	32,980
Retained loss for the year	(15,860)	-	-	(15,860)
At 31 December 2013	(121,541)	80	138,581	17,120

23 Reconciliation of movements in shareholders' funds

	2013		2012	
	Group £'000	Company £'000	Group £'000	Company £'000
Opening shareholders' funds	66,944	33,000	14,879	31,831
(Loss)/profit for the financial year	(28,750)	(15,860)	(14,832)	(69,450)
Issue of new shares	-	-	70,619	70,619
Actuarial (loss)/gain on pension scheme	(1,217)	-	(4,268)	-
Movement on deferred tax relating to pension	(266)	-	546	-
Closing shareholders' funds	36,711	17,140	66,944	33,000

24 Contingent liabilities

The directors are not aware of any material contingent liabilities as at 31 December 2013 (2012: nil).

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

25 Capital commitments

Capital commitments authorised by the directors are as follows:

	2013		2012	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Authorised and contracted for but not provided for	-	-	870	-

26 Financial commitments

At 31 December 2013 the group had no annual commitments under non-cancellable operating leases (2012: nil).

27 Reconciliation of consolidated operating loss to net cash outflow from operating activities

	2013	2012
	£'000	£'000
Operating loss	(29,121)	(14,593)
Depreciation and impairment of tangible fixed assets	20,791	6,049
Margetts Pit closure costs	-	2,837
Amortisation of government grants	(948)	(950)
Earnings before Interest, Tax, Depreciation and Amortisation	(9,278)	(6,657)
Difference between pension charge and cash contributions	(158)	(5,072)
Profit on disposal of tangible fixed assets	(3)	(5)
Decrease in stocks	1,393	2,816
Decrease in trade debtors	3,571	9,629
(Increase)/decrease in other debtors	(3)	90
Decrease in taxation and social security	1,559	(1,217)
(Increase)/decrease in prepayments and accrued income	(192)	160
Increase/(decrease) in trade creditors	1,883	(1,073)
Increase/(decrease) in accruals and deferred income	1,960	(8,386)
Decrease in long term provisions	(3,241)	(3,189)
Net cash outflow from operating activities	(2,509)	(12,904)

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

28 Reconciliation of net cash flow to movement in net debt

	2013 £'000	2012 £'000
(Decrease)/Increase in net cash in the year	(4,253)	37,965
Increase in restricted cash	140	17,000
Movement in net cash in the year	(4,113)	54,965
Net cash/(net debt) at 1 January	20,749	(34,216)
Net cash at 31 December	16,636	20,749

29 Analysis of net debt

	1 January 2013 £'000	Cash flow £'000	Non-cash changes £'000	31 December 2013 £'000
Net debt				
Cash at bank and in hand as per the cash flow statement	3,749	(4,253)	-	(504)
Increase in restricted cash	17,000	140	-	17,140
	20,749	(4,113)	-	16,636

Analysed in balance sheet

	2013 £'000	2012 £'000
Cash at bank and in hand	3,915	3,749
Restricted cash deposits	17,140	17,000
Other loans	(4,419)	-
	16,636	20,749

Aylesford Newsprint Holdings Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

30 Related party disclosures

The key transactions and balances during the year with companies that were related to the group under the terms of Financial Reporting Standard 8 'Related party disclosures' are as follows:

Transactions during the year:

Management charges

The group incurred a management charge of £112,000 from Aylesford Industries Limited for the provision of central services (2012: £50,000).

31 Post balance sheet events

There are no Post Balance Sheet Events

32 Ultimate controlling party

The immediate parent undertaking during the time of these financial statements was Aylesford Industries Limited registered in England and Wales. Following a reorganisation completed on 28 November 2014, the immediate parent undertaking became Medway Enterprises Limited.

The ultimate parent undertaking and controlling party is The Martland Holdings LLC, a company incorporated in the United States of America. The Martland Holdings LLC is the parent of the smallest and largest group to consolidate these financial statements. Copies of The Martland Holdings LLC's consolidated financial statements can be obtained from the Company Secretary at:

The Martland Holdings LLC
2915 Ogleton Road,
City of Newark
County of New Castle registered in England and Wales
DE 197163
United States of America