

Aylesford Newsprint Limited
Annual report
for the year ended 31 December 2012

Registered number: 02825694

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Aylesford Newsprint Limited
Annual report
for the year ended 31 December 2012
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Aylesford Newsprint Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Business review and principal activities

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

The profit and loss account for the year is set out on page 7. The loss on ordinary activities before taxation was £23.8m (2011: £30.7m) prior to recognising a profit from the waiver of group debt of £78.5m (2011: prior to recognising an exceptional impairment charge of £56m). The company had net assets at 31 December 2012 of £48.6m (2011: liabilities of £4.1m).

The directors consider the performance of the group in 2012 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 10% in 2012.

Strategy

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

Future developments

The company continues to experience overcapacity in the manufacture of newsprint resulting in pressure on selling price and management continues to focus on controlling costs. The outlook for the remainder of 2013 remains challenging but the announcement of capacity closures in the industry for the later part of the year will see an improved financial position from 2014.

Principal risks and uncertainties

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

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

Price risk

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

Credit risk

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

Aylesford Newsprint Limited

Directors' report for the year ended 31 December 2012 (continued)

Liquidity risk

The company 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)

	2012 %	2011 %	
Operating margin	(13.7)	(18.8)*	The continuing negative margin reflects the continued pressure on selling price
Return on invested capital	(50.0)	(58.5)*	The percentage increase reflects the reduction in valuation of the invested capital
Employee retention/staff turnover	16.5	8.3	The increase in staff turnover reflected a restructuring of personnel resulting in redundancies of 10%

*before impairment charge of £56m

Dividends

The company has not paid any dividends during the year (2011 £nil) The directors do not recommend the payment of a dividend (2011 none)

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 director

Mr M B Lunabba	Resigned 2 October 2012
Mr K Kouakou	Appointed 2 October 2012
Mr IR Broxup	Appointed 30 January 2013
Ms A Wardlaw	Appointed 30 January 2013

Non-executive directors

Mr G Fridh	Resigned 2 October 2012	
Mr U Larsson	Resigned 2 October 2012	
Mr JC Paterson	Resigned 2 October 2012	
Mr F Tauber	Resigned 2 October 2012	
Ms C Valera	Resigned 2 October 2012	
Mr T Lindahl	Resigned 2 October 2012	
Mr G Roland	Appointed 2 October 2012	
Mr G Ktorza	Appointed 2 October 2012	Resigned 26 November 2012
Mr K Rosenqvist-Packalen	Appointed 2 October 2012	

Directors' indemnities

The company 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

Aylesford Newsprint Limited

Directors' report for the year ended 31 December 2012 (continued)

Employees

Disabled persons

The company gives full consideration to the possibility of employing disabled persons wherever such opportunities exist. Those employees who become disabled are given the opportunity and assistance to continue in their employment or to be trained for other, more suitable positions. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee communication

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

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

Research and development

The company's research and development programme places emphasis on product development and on seeking new techniques in the manufacture and application of paper technology (see note 3).

Political and charitable contributions

During the year the company made various charitable contributions to trade and local bodies totalling £5,701 (2011: £8,023). The company made no political contributions (2011: nil).

Policy and practice on payment of creditors

General terms of payment to suppliers are end of month following date of invoice unless specific days have been commercially agreed. At the year end the amount of days outstanding on the balance of the trade creditors was 18 days. The average time to pay an invoice during 2012 was 28 days.

Land and buildings

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

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 growth of 10% (first year), gross margin of 27% and combined maintenance and capital expenditure of £12.2m.

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.

Aylesford Newsprint Limited

Directors' report for the year ended 31 December 2012 (continued)

Independent auditors

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

Statement of disclosure of information to auditors

So far as 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

Statement of directors' responsibilities

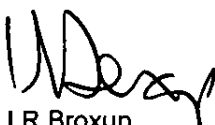
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board



I R Broxup
Director

30 September 2013

Registered number 02825694

Aylesford Newsprint Limited

Independent auditors' report to the members of

Aylesford Newsprint Limited

We have audited the financial statements of Aylesford Newsprint Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the director and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. 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 company's affairs as at 31 December 2012 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

Aylesford Newsprint Limited

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

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

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



Peter Latham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
30 September 2013

Aylesford Newsprint Limited
Profit and loss account
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	143,441	151,112
Exceptional operating expenses	3	-	(56,000)
Other operating expenses	3	(163,137)	(179,526)
Operating profit/(loss)	4	(19,696)	(84,414)
Interest receivable and similar income	7	10	15
Interest payable and similar charges	8	(5,154)	(3,472)
Exceptional finance income	14	78,513	-
Other finance income	16	1,065	1,156
Profit/(loss) on ordinary activities before taxation		54,738	(86,715)
Tax credit on profit/loss on ordinary activities	9	1,692	8,254
Profit/(loss) for the financial year	18/19	56,430	(78,461)

All the activities of the company are continuing

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

Aylesford Newsprint Limited

Statement of total recognised gains and losses for the year ended 31 December 2012

	Note	2012 £000's	2011 £000's
Profit/(loss) for the financial year	18/19	56,430	(78,461)
Actuarial loss recognised in the pension scheme	16	(4,268)	(9,280)
Movement on deferred tax relating to actuarial loss		546	1,877
Total recognised gains/(losses) for the financial year		52,708	(85,864)

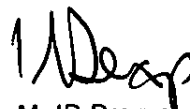
Aylesford Newsprint Limited
Balance sheet
as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	11	47,427	51,479
Current assets			
Stocks	12	9,496	12,265
Debtors	13	18,432	27,860
Cash at bank and in hand		1,039	1,385
		28,967	41,510
Creditors, amounts falling due within one year	14	(26,258)	(51,273)
Net current assets/(liabilities)		2,709	(9,763)
Total assets less current liabilities		50,136	41,716
Creditors: amounts falling due after more than one year	14	(1,506)	(43,925)
Provisions for liabilities	15	-	-
Net assets/(liabilities) excluding pension deficit		48,630	(2,209)
Pension deficit	16	(1)	(1,870)
Net assets/(liabilities) including pension deficit		48,629	(4,079)
Capital and reserves			
Called up share capital	17	75,000	75,000
Profit and loss account	18	(26,371)	(79,079)
Total Shareholders' funds	19	48,629	(4,079)

The financial statements on pages 7-28 were approved by the Board of directors on 30 September 2013 and were signed on its behalf by



Mr K Kouakou
Director



Mr IR Broxup
Director

Aylesford Newsprint Limited

Notes to the financial statements

for the year ended 31 December 2012

1 Principal accounting policies

Accounting convention

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (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.

Cash flow statement

Since the company is a wholly owned subsidiary and the cash flows of the company are included in the consolidated financial statements of Aylesford Newsprint Holdings Limited, which are publicly available, the company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) 'Cash flow statements' from presenting a cash flow statement.

Tangible fixed assets and depreciation

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

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

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

Stocks

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

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

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. Where turnover that has been recognised is found not to be recoverable due to a dispute with a customer, these amounts are charged against turnover. When non-recovery is a result of the inability of the customer to meet its obligations, these amounts are charged to administrative expenses.

Related party transactions

The company has exercised the exemption for wholly owned subsidiaries under Financial Reporting Standard 8 Related party disclosures and has not disclosed related party transactions between group companies. The company has disclosed all other related party transactions.

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.

Pensions

The company operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds. The pension scheme is sponsored by the parent undertaking, Aylesford Newsprint Holdings Limited. 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 statement of total recognised gains and losses.

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Pensions (continued)

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 scheme includes benefits for employees of Aylesford Newsprint Services Limited, a fellow subsidiary undertaking. These benefits have been accounted for within the company as it is not possible to allocate between the separate companies.

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

Research and development

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

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

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the company 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 company. These are recognised net of any provision for doubtful debt positions at the year end.

Trade creditors

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

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Turnover

	2012	2011
	£'000	£'000
Turnover – by destination		
Paper sales		
- UK	83,809	102,893
- Rest of Europe	45,947	38,684
- Rest of World	13,685	9,535
	143,441	151,112

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

	2012	2011
	£'000	£'000
Operating profit/(loss) by destination		
Paper sales		
- UK	(11,507)	(57,496)
- Rest of Europe	(6,310)	(21,595)
- Rest of World	(1,879)	(5,323)
	(19,696)	(84,414)

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

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Net operating expenses

	2012	2011
	£'000	£'000
Change in stocks of finished goods and work in progress	2,769	(3,806)
Other operating income	(93)	(93)
Raw materials and consumables	107,281	110,524
Other external charges	32,562	29,811
Employment costs (Note 6)	13,440	14,567
Depreciation of tangible fixed assets owned (note 11)	6,049	20,953
Impairment of tangible fixed assets owned (note 11)	-	56,000
Asset rental costs recharged to group companies	(1,470)	(1,763)
Decommissioning costs of Margetts Pit recharged by group company	2,837	9,532
Amortisation of government grants (note 14)	(950)	(948)
Research and development costs	712	749
	163,137	235,526

4 Operating profit/(loss)

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

	2012	2011
	£'000	£'000
Exchange losses	97	76
(Profit)/loss on disposal of tangible fixed assets	(5)	2

Services provided by the company's auditor and network firms

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

	2012	2011
	£'000	£'000
Audit services		
The audit of the company pursuant to legislation	40	34
	40	34

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Directors' emoluments

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

6 Employee information

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

	2012 Number	2011 Number
Management/administration	95	117
Production	188	199
Selling and distribution	19	20
	302	336

	2012 £'000	2011 £'000
Staff costs (for the above persons)		
Wages and salaries	11,771	12,980
Social security costs	1,108	1,178
Other pension costs	1,771	1,674
Total direct costs of employment	14,650	15,832
Staff costs recharged to group companies	(1,210)	(1,265)
	13,440	14,567

7 Interest receivable and similar income

	2012 £'000	2011 £'000
Bank interest receivable	10	15
	10	15

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Interest payable and similar charges

	2012	2011
	£'000	£'000
Bank interest payable	127	137
On loans from group undertakings	5,027	3,335
	5,154	3,472

9 Tax on profit/(loss) on ordinary activities

(a) Analysis of tax credit for the year

	2012	2011
	£'000	£'000
Current tax		
Group relief received from other group companies	(2,238)	(885)
Total current tax	(2,238)	(885)
Deferred tax		
Origination and reversal of timing differences	-	(8,955)
Adjustment attributable to change of tax rate	(500)	547
Pension cost relief in excess of pension charge	1,046	1,039
Total deferred tax (note 15)	546	(7,369)
Tax on profit/(loss) on ordinary activities	(1,692)	(8,254)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

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

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2011 higher) than the standard rate of corporation tax in the UK 24.5% (2011 26.5%)

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before tax	54,738	(86,715)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	13,411	(22,979)
Effects of		
Income not taxable	(19,236)	-
Expenses not deductible for tax purposes	4	18
Capital items expensed	4	7
Government grant amortisation	(233)	(251)
Depreciation in excess of capital allowances	1,481	20,368
Losses carried forward	3,834	3,093
Pension cost relief in excess of pension charge	(1,503)	(1,141)
Total current tax	(2,238)	(885)

(c) Factors affecting tax charge for the year

The Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these financial statements.

The government has announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014 and to 20% from April 2015. As this legislation was not substantively enacted by December 2012, the impact of the anticipated rate change is not recognised in these financial statements.

10 Dividends

No dividends were paid during 2012 (2011 none)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2012	102,469	310,862	413,331
Additions	-	1,997	1,997
Disposals	(10)	-	(10)
At 31 December 2012	102,459	312,859	415,318
Accumulated depreciation			
At 1 January 2012	74,797	287,055	361,852
Charge for the year	-	6,049	6,049
Disposals	(10)	-	(10)
At 31 December 2012	74,787	293,104	367,891
Net book amount			
At 31 December 2012	27,672	19,755	47,427
At 31 December 2011	27,672	23,807	51,479

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 and showed that no impairment was required. 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 10% for 2013, 2% for years 2014 to 2017
- Gross margin of 22% for 2013, 27% for years 2014 to 2016, 33% for 2017
- Long term growth rate of 0%
- Discount rate of 10%

Plant and equipment includes construction in progress totalling £317,000 (2011 £3,373,000) which has not been depreciated. Plant and equipment also includes interest and financing charges relating to the purchase of paper machine PM14 which have been capitalised as follows

	2012 £'000	2011 £'000
Interest and financing charges		
Balance brought forward	-	5,084
Amortisation charge for year	-	(1,019)
Impairment	-	(4,065)
Balance carried forward	-	-

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 Stocks

	2012	2011
	£'000	£'000
Raw materials and consumables	4,558	6,208
Finished goods	4,938	6,057
	9,496	12,265

13 Debtors

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	14,957	20,902
Taxation and social security	2,255	5,281
Other debtors	318	610
Prepayments and accrued income	902	1,067
	18,432	27,860

14 Creditors

	2012	2011
	£'000	£'000
Amounts falling due within one year.		
Trade creditors	7,267	8,340
Amounts owed to group undertakings (see below)	9,883	18,827
Amounts owed to parent undertakings	-	10,000
Accruals and deferred income	8,158	13,156
Government grants (see below)	950	950
	26,258	51,273
Amounts falling due after more than one year.		
Amounts owed to group undertakings (see below)	-	41,469
Government grants (see below)	1,506	2,456
	1,506	43,925

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Creditors (continued)

The amounts owed to group undertakings of £9,883,000 (2011 £60,296,000) comprise

- (a) The amounts due after more than one year owed to group undertakings of £nil (2011 £41,469,000) comprised a revolving facility loan from Aylesford Newsprint Holdings Limited on which interest was payable at a rate of 2.7%. For the year to 31 December 2012 interest paid amounted to £4,406,000 (2011 £2,993,000). The loan increased during the year to £71,942,000 at which time the directors of Aylesford Newsprint Holdings Limited decided to enter into a contract with Aylesford Newsprint Limited to forgive the debt outstanding.
- (b) Other short term creditors of £9,883,000 (2011 £18,827,000) comprising of a short term loan facility from Aylesford Newsprint Services Limited. The loan decreased during the year to £16,454,000 at which time the directors of Aylesford Newsprint Services Limited decided to enter into a contract with Aylesford Newsprint Limited to forgive £6,571,000 of the debt outstanding.

Government grants	2012	2011
	£'000	£'000
At start of year	3,406	4,354
Amortisation for the year	(950)	(948)
Net grant at end of year	2,456	3,406
of which - falling due within one year	950	950
- falling due after more than one year	1,506	2,456

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

15 Provisions for liabilities

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

	2012	2011
	£'000	£'000
Accelerated capital allowances/capital allowances in excess of depreciation	(5,281)	(4,225)
Other short term timing differences	(8,353)	(5,580)
Non recognition of deferred tax asset	13,634	9,805
Undiscounted provision for deferred tax	-	-
Provision at start of year	-	8,408
Deferred tax credit in profit and loss account for the year	-	(8,408)
Provision at end of year	-	-

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Provisions for liabilities (continued)

The cumulative unrecognised deferred tax asset is £13.6m (2011 £9.8m). The deferred tax asset is not recognised as prior to recognising a one off credit in the current year, the entity is in a loss making position and there is insufficient evidence of future taxable profits and whether the asset would be recovered.

16 Pensions

The company 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 2012 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 using the projected unit method. This amount is reflected in the deficit in the balance sheet. The projected unit method is an accrued benefits valuation method in which the Plan's liabilities make allowance for projected earnings.

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 2012. 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 2012 by the actuary were:

	2012 Per annum %	2011 Per annum %
Rate of increase in salaries	3.3	3.0
Rate of increase in pensions in payment	3.2	2.9
Discount rate	4.6	4.7
Inflation assumption	3.3	3.0

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

	2012	2011
Male member currently aged 65	22.86	22.77
Female member currently aged 65	25.61	25.53
Male member currently aged 45	25.34	25.26
Female member currently aged 45	28.03	27.95

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Pensions obligations (continued)

At 31 December 2012, the mortality assumption was in line with that used in the actuarial valuation at 5 April 2011, 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 (2011: 25%).

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

	Long term rate of return expected at 31 December 2012 %	Value at 31 December 2012 £'000	Long term rate of return expected at 31 December 2011 %	Value at 31 December 2011 £'000
Equities	6.8	45,490	7.75	38,914
Bonds	3.3	36,462	4.10	31,110
Cash	0.5	175	0.50	238
Property	6.8	5,522	7.75	5,466
	5.33	87,649	6.23	75,728

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 2012 was a gain of £7.7m (2011: £2.1m).

The following amounts at 31 December 2012 were measured in accordance with the requirements of FRS 17 'Retirement benefit'.

At 31 December 2012	Company £'000
Total bid value of assets	87,649
Present value of scheme liabilities	87,650
Deficit	(1)
Related deferred tax asset	-
Net pension deficit	(1)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Pensions obligations (continued)

The following amounts at 31 December 2011 were measured in accordance with the requirements of FRS 17 'Retirement benefit'

At 31 December 2011

	Company £'000
Total bid value of assets	75,728
Present value of scheme liabilities	77,598
Deficit	(1,870)
Related deferred tax liability	-
Net pension deficit	(1,870)

Company contributions during the year were £6,649,000 (2011 £4,625,000), which included an additional one off contribution as part of the change in ownership. Contributions are payable to the plan by the company at the rates set out in the Schedule of contributions. The company has agreed to pay contributions of £1.7m p.a. payable monthly plus salary sacrifice contributions of 8% of pensionable salaries for salary sacrifice active members. The company's contributions expected to be made in the year commencing 1 January 2013 are approximately £2,150,000.

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

	2012 £'000	2011 £'000
Operating profit		
Current service costs	(1,577)	(1,474)
Total operating charge	(1,577)	(1,474)
Other finance income:		
Expected return on pension scheme assets	4,735	4,828
Interest on pension scheme liabilities	(3,670)	(3,672)
Net return	1,065	1,156
Amount charged to profit and loss	(512)	(318)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	2,922	(2,702)
Experience losses arising on the scheme liabilities	(7,190)	(6,578)
Actuarial loss recognised in STRGL	(4,268)	(9,280)

The cumulative loss recognised in the STRGL to date is £26.1m (2011 £21.8m)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Pensions obligations (continued)

	2012	2011			
	£'000	£'000			
Movement in present value of plan assets					
Assets at beginning of the year	75,728	70,705			
Movement in the year					
Expected return on assets	4,735	4,828			
Actuarial gains/(losses)	2,922	(2,702)			
Contributions by the employer	6,649	4,625			
Benefits paid	(2,385)	(1,728)			
Assets at end of the year	87,649	75,728			
	2012	2011			
	£'000	£'000			
Movement in present value of plan liabilities					
Liabilities at beginning of the year	(77,598)	(67,602)			
Movement in the year					
Current service cost	(1,577)	(1,474)			
Interest cost	(3,670)	(3,672)			
Actuarial losses	(7,190)	(6,578)			
Benefits paid	2,385	1,728			
Liabilities at end of the year	(87,650)	(77,598)			
Details of experience gains and losses	2012	2011	2009	2008	2007
Fair value of scheme assets	87,649	75,728	70,705	59,782	48,935
Present value of scheme liabilities	87,650	77,598	67,602	66,380	54,143
(Deficit)/surplus in the scheme	(1)	(1,870)	3,103	(6,598)	(5,208)
Experience gains and losses on scheme assets					
Amount (£'000)	2,922	(2,702)	4,646	3,563	(14,659)
Percentage of scheme assets	3.3%	(3.6%)	6.6%	6.0%	(30.0%)
Experience gains and losses on scheme liabilities					
Amount (£'000)	(7,190)	(6,578)	1,817	1,894	(1,191)
Percentage of scheme liabilities	(8.2%)	(4.2%)	2.7%	2.9%	(2.2%)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Pensions obligations (continued)

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

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

Defined contribution scheme

The pension cost contributions charged during the year relating to the defined contribution scheme amounted to £216,000 (2011 £200,000) There were no contributions prepaid or accrued at the year-end (2011 £ nil)

17 Called up share capital

	2012	2011
Authorised:		
Ordinary shares of £1 each		
- Nominal value	£100,000,000	£100,000,000
- Number	100,000,000	100,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each		
- Nominal value	£75,000,000	£75,000,000
- Number	75,000,000	75,000,000

18 Profit and loss account

	£'000
At 1 January 2012	(79,079)
Profit for the financial year	56,430
Actuarial loss on pension scheme	(4,268)
Movement on deferred tax relating to pension scheme	546
At 31 December 2012	(26,371)

19 Reconciliation of movements in shareholders' funds/(deficit)

	2012	2011
	£'000	£'000
Opening shareholders' (deficit)/funds	(4,079)	81,785
Profit/(loss) for the financial year	56,430	(78,461)
Actuarial loss on pension scheme	(4,268)	(9,280)
Movement on deferred tax relating to pension scheme	546	1,877
Closing shareholders' funds/(deficit)	48,629	(4,079)

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Contingent liabilities

The directors are not aware of any material contingent liabilities as at 31 December 2012 (2011 £nil)

21 Capital commitments

	2012	2011
	£'000	£'000
Capital commitments authorised by the directors are as follows		
Authorised and contracted for but not provided for	870	1,400

22 Financial commitments

At 31 December 2012 the company had no annual commitments under non-cancellable operating leases (2011 nil)

23 Related party disclosures

Aylesford Newsprint Limited is a wholly owned subsidiary of Aylesford Newsprint Holdings Limited

Aylesford Newsprint Holdings Limited was a joint venture between SCA Forest Products AB and Mondi plc who sold the company to Aylesford Industries Limited on 2 October 2012

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

Transactions during the year

Sales of waste paper

Sales of waste paper amounting to £nil (2011 £13,000) were made to SCA Recycling (UK) Limited during the year

Purchase of waste paper

The group has an agreement with SCA Recycling (UK) Ltd to purchase waste paper which amounted to £6,534,000 in the year (2011 £13,697,000)

Commission payments

During the year £392,000 (2011 £415,000) was payable in commission on sales made by various European SCA companies on behalf of the group

Research and development

The group has been charged an amount of £595,000 (2011 £785,000) by SCA R&D Centre AB in respect of research and development costs. A further £5,000 (2011 £9,000) was charged by SCA Forest Products AB relating to market research

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

23 Related party disclosures (continued)

Shipping and haulage

Shipping costs of £261,000 (2011 £91,000) to SCA Transforest Agencies Ltd and £14,000 (2011 £28,000) to Interforest Terminal Rotterdam BV

Software costs

Software costs of £35,000 (2011 £65,000) were charged from various companies in the SCA group during the year

Insurance costs

The group has incurred insurance costs of £11,000 (2011 £20,000) from various companies in the SCA group during the year

Barrier cards

The group received income of £555 (2011 £350) from various companies in the SCA group for barrier cards for access on site roads

Other costs

The group also incurred costs on magazines of £nil (2011 £20,000), subscriptions of £4,000 (2011 £24,000) from various companies in the SCA group and management support fees of £293,000 (2011 107,000) from SCA Laakirchen AG during the year

Balances outstanding as at 31 December 2012

Trade debtors

Trade debtors of £15,275,000 (2011 £20,902,000) include an amount of £nil (2011 £135,000) due from SCA group companies

Trade creditors

Included within trade creditors of £7,368,000 (2011 £8,340,000) is an amount of £nil (2011 £1,398,000) which is owed to SCA group companies

24 Post balance sheet events

There are no Post Balance Sheet Events

Aylesford Newsprint Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

25 Ultimate holding company

The immediate parent undertaking is Aylesford Newsprint Holdings Limited registered in England and Wales

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
DE 197163
United States of America