

Disley Holdings (UK)
Directors' Report and Consolidated Financial Statements
for the Year Ended 31 December 2011

Registration number: 2950499



Disley Holdings (UK)

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Disley Holdings (UK)
Directors and advisers

Director	M Gosselin
Registered office	No 1 St Paul's Square St Paul's Square Liverpool L3 9SJ
Solicitors	Hill Dickinson No 1 St Paul's Square Liverpool L3 9SJ
Bankers	National Westminster Bank Plc Derby Branch 7 Market Place Derby DE1 3ZF
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 101 Barbrioll Square Lower Mosley Street Manchester M2 3PW

Disley Holdings (UK)

Directors Report for the year ended 31 December 2011

The director presents his report and the audited consolidated financial statements of the group and the audited financial statements of the company for the year then ended

Principal activities and business review

The principal activity of the company was previously the manufacture, conversion and distribution of disposable hygiene products. The company ceased to trade on the 8th December 2009 and during the year ended 31 December 2011 the principal activity of the company was the management of the expected sale of its property assets. On 24th February 2012 the company sold the Bolton Site for £690,000 realising a profit on disposal of £49,000. As a result of this sale the responsibility for the environmental clean up of the site has passed to the buyer. The loss for the year reflects the ongoing management and expenditure incurred in maintaining the property.

Results and dividends

The company does not have any trading subsidiaries. The closed site at Bolton is still retained by Kruger Tissue (Industrial) Limited at the year end, however the site has been sold post year end on 24 February 2012.

As the group does not trade it does not manage its activities using KPI's.

The results for the year show a pre-tax loss of £350,000 (2010 - £3,388,000) and this will be added to the deficit.

A preference dividend of 7p per share (total £153,000) has been appropriated but not paid (2010 - 7p total £153,000).

This amount has been included in creditors - amounts falling due within one year (note 13).

Going concern

The financial statements have been prepared on a break-up basis on the grounds that the trading activities of the company have ceased and the future plans for the company are uncertain as a result the company is no longer considered a going concern. All assets have been recorded at net realisable value and all liabilities are included as current.

Principal risks and uncertainties

The principal risks and uncertainties during the financial year ended 31 December 2011 represented the environmental risk and property valuation risk which are no longer risks to the company following the sale of the Bolton Site post year end.

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

J Kruger II (resigned 18 June 2012)

G J Bunze (resigned 18 June 2012)

The following director was appointed after the year end:

M Gosselin (appointed 18 June 2012)

Statement of directors' responsibilities

The director is responsible for preparing the Directors Report for the year ended 31 December 2011 and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and 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.

Disley Holdings (UK)
Directors Report for the year ended 31 December 2011

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

The director at the date of approval of this report confirms that

- There is no relevant information that they know of and which they know the auditors are unaware of; and
- they have taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

Approved by the Board on 26 September 2012 and signed on its behalf by



M Gosselin
Director

Independent Auditor's Report to the Members of Disley Holdings (UK)

We have audited the group and parent company financial statements of Disley Holdings (UK) for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheets, 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 directors and auditors

As explained more fully in the Statement of director's responsibilities (set out on page 2 and 3), the director is 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 (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only 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 group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss 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.

Emphasis of matter - Basis of preparation

Without qualifying our opinion we draw attention to note 1 to the financial statements, which explains that the trading activities of the company have ceased and the future plans for the company are uncertain and as such the company is no longer considered to be a going concern. As a result the financial statements have been prepared on a break-up basis. Our opinion is not qualified in this respect.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the year ended 31 December 2011 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Disley Holdings (UK)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

H. Macnamara

Hazel Macnamara (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors

101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

26 September 2012

Disley Holdings (UK)
Consolidated Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Turnover		-	-
Cost of sales		-	-
Gross profit/(loss)		-	-
Other operating expenses	2	(125)	(3,092)
Group operating loss	3	(125)	(3,092)
Non-operating exceptional items	5	-	(71)
Interest payable and similar charges	8	(225)	(223)
Loss on ordinary activities before taxation		(350)	(3,386)
Taxation	9	-	-
Loss for the financial year	17	(350)	(3,386)

All amounts relate to discontinued operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

The company has no recognised gains or losses for the year other than the results above, and therefore no separate statement of total recognised gains and losses has been presented

Disley Holdings (UK)
Consolidated Balance Sheet at 31 December 2011

		2011		2010	
	Note	£ 000	£ 000	£ 000	£ 000
Fixed assets					
Tangible assets	10		641		659
Investments in subsidiaries	11		-		-
Current assets					
Debtors	12	1 030		1,259	
Cash at bank and in hand		1		38	
		1,031		1,297	
Creditors. Amounts falling due within one year	13	(33,274)		(29,817)	
Net current liabilities			(32,243)		(28,520)
Total assets less current liabilities			(31,602)		(27,861)
Creditors. Amounts falling due after more than one year	14		-		(3 391)
Provisions for liabilities	15		(200)		(200)
Net liabilities			(31,802)		(31,452)
Capital and reserves					
Called up share capital	16	34,753		34,753	
Share premium account	17	3,145		3,145	
Profit and loss account	17	(69,700)		(69,350)	
Total shareholders' deficit	18		(31,802)		(31,452)

The financial statements on pages 6 to 18 were approved by the Board of directors on 26 September 2012 and were signed on its behalf by:


M Gossett
Director

Disley Holdings (UK)
(Registration number: 2950499)
Company Balance Sheet at 31 December 2011

	Note	2011 £ 000	2010 £ 000
Creditors: Amounts falling due within one year	13	(30,816)	(2,700)
Creditors: Amounts falling due after more than one year	14	-	(27,963)
Net liabilities		<u>(30,816)</u>	<u>(30,663)</u>
Capital and reserves			
Called up share capital	16	34,753	34,753
Share premium account	17	3,145	3,145
Profit and loss account	17	<u>(68,714)</u>	<u>(68,561)</u>
Total shareholders' deficit	18	<u>(30,816)</u>	<u>(30,663)</u>

The financial statements on pages 6 to 18 were approved by the Board of directors on 28 September 2012 and were signed on its behalf by


M Gosselet
Director

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

1 Accounting policies

Basis of preparation

The financial statements have been prepared on a break-up basis on the grounds that the trading activities of the company have ceased and the future plans for the company are uncertain as a result the company is no longer considered a going concern. All assets have been recorded at net realisable value and all liabilities are included as current.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of Disley Holdings (UK) and its subsidiary undertakings drawn up to 31 December 2011. The results of subsidiary undertakings sold or acquired during the year are included in the consolidated results up to the date of disposal or from the date of acquisition.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year was £153,000 (2010 - £153,000).

Exemption from preparing a cash flow statement

The company is a wholly-owned subsidiary of Kruger Inc. and is included in the consolidated financial statements of Kruger Inc., which are publicly available. Consequently the company has taken advantage of the exemption of preparing a cash flow statement under the terms of FRS 1 (revised 1996).

Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase cost, together with any incidental costs of acquisition, or at a valuation.

Depreciation is provided on tangible fixed assets so as to write off the cost, less their estimated residual value, on a straight line basis over their expected useful economic life. The principal annual rates used for this purpose are:

Asset class	Depreciation method and rate
Freehold buildings	50 years

Depreciation is not provided on freehold land.

The company has adopted a policy of not revaluing fixed assets in accordance with Financial Reporting Standard 15 'Tangible fixed assets'. The group followed the transitional provisions of the standard. The carrying value of fixed assets reflects previous revaluations which have been retained.

Fixed assets are reviewed when adverse economic conditions or other events indicate that they may be impaired under FRS15. The carrying value of the asset is compared to its estimated recoverable amount and any resulting impairment loss is recognised in the profit and loss account.

Deferred tax

Deferred taxation 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 future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Deferred tax is measured at the average tax rates that are 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.

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Pensions

The group operated a defined contribution pension scheme during the year 2010, but this scheme was not in place during 2011.

The assets of the scheme were held separately from those of the group in an independently administered fund. The pension cost charge disclosed in note 19 represents contributions payable by the group to the fund during the prior year.

2 Other operating expenses

	2011 £ 000	2010 £ 000
Administrative expenses	125	3,092
	<u>125</u>	<u>3,092</u>

3 Operating loss

Group operating loss is stated after (crediting) / charging

	2011 £ 000	2010 £ 000
Foreign currency (gains)/ losses	(158)	576
Depreciation of owned assets	18	18
Redundancy (note 5)	-	71
Auditors' remuneration (note 4)	<u>13</u>	<u>14</u>

4 Auditors' remuneration

	2011 £ 000	2010 £ 000
Audit services (Company - £nil (2010 - £nil))	10	10
Other fees to auditors	<u>3</u>	<u>4</u>
Other services (primarily tax services)	<u>13</u>	<u>14</u>

5 Non-operating exceptional items

	2011 £ 000	2010 £ 000
Redundancy costs	<u>-</u>	<u>71</u>

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

6 Particulars of employees

The average monthly number of persons employed by the group (including director) during the year, analysed by category was as follows

	2011 Number	2010 Number
Administration and support	<u>1</u>	<u>1</u>

The aggregate payroll costs were as follows

	2011 £ 000	2010 £ 000
Wages and salaries	28	197
Social security costs	4	17
Other pension costs	<u>-</u>	<u>111</u>
	<u>32</u>	<u>325</u>

The employment costs were higher for the year ended 31 December 2010 as there were more staff at the start of the period, although the overall average was only one employee. There were also redundancy payments made to one of the directors which further inflated the cost for the year.

7 Director's remuneration

The directors' received no fees or emoluments for services to the company during the year ended 31 December 2011 (2010 - £nil)

8 Interest payable and similar charges

	2011 £ 000	2010 £ 000
Interest on bank borrowings	1	-
Group interest	71	70
Preference dividends	<u>153</u>	<u>153</u>
	<u>225</u>	<u>223</u>

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

9 Tax on loss on ordinary activities

Factors affecting current tax charge for the year

Tax on loss on ordinary activities for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 26% (2010 - 28%)

The differences are reconciled below

	2011 £ 000	2010 £ 000
Loss on ordinary activities before taxation	(350)	(3,386)
Corporation tax at standard rate	(91)	(948)
Expenses not deductible for tax purposes	40	675
Deferred tax not recognised	51	273
Total current tax	-	-

Factors that may affect future tax charges

The Finance Act 2011 was substantively enacted on 29 March 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011. A further reduction to 25% from 1 April 2012 was substantively enacted by subsequent legislation on 5 July 2011.

Further reductions to the UK corporation tax rate were announced in the 2011 Budget on 23 March 2011, which proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. However, a further announcement was made in the 2012 Budget on 21 March 2012, which will result in the rate reducing to 24% from 1 April 2012, with further 1% reductions per annum to 22% by 1 April 2014.

At 31 December 2011, the company has unrecognised tax losses of approximately £1.8m (2010 - £1.4m) which, subject to the agreement of the tax authority, are available to reduce future taxable profits.

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

10 Tangible assets

Group

	Freehold land and buildings £ 000
Cost or valuation	
At 1 January 2011 and at 31 December 2011	800
Accumulated depreciation	
At 1 January 2011	141
Charge for the year	18
At 31 December 2011	159
Net book value	
At 31 December 2011	641
At 31 December 2010	659

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

11 Fixed asset investments

Company

Shares in group undertakings

	Subsidiary undertakings £ 000
Cost	
At 1 January 2011 and at 31 December 2011	27,816
Provision for Impairment	
At 1 January 2011 and at 31 December 2011	<u>27,816</u>
Net book value	
At 31 December 2011	<u>-</u>
At 31 December 2010	<u>-</u>

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Kruger Tissue Group (UK) Limited	Ordinary	100%	Holding company - dominant
Kruger Tissue (Industrial) Limited	Ordinary	100%	Non trading

The company has 100% investments in dormant subsidiary undertakings, which are not listed to avoid a statement of excessive length

The holdings in the subsidiaries all represent ordinary shares and all companies are incorporated or registered in England

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

12 Debtors

	Group		Company	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
Amounts owed by fellow subsidiary undertakings	1,008	1,125	-	-
Other debtors	22	134	-	-
	<u>1,030</u>	<u>1,259</u>	<u>-</u>	<u>-</u>

Amounts owed by group undertakings are unsecured, non interest bearing and repayable on demand

13 Creditors: Amounts falling due within one year

	Group		Company	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
Trade creditors	11	32	-	-
Preference shares	786	-	786	-
Cumulative preference share dividends unpaid	2,758	-	2,758	-
Amounts owed to fellow subsidiary undertaking	7,297	8,328	-	-
Amounts owed to ultimate parent company	22,304	21,317	836	318
Amounts owed to subsidiary undertaking	-	-	26,636	2,382
Taxation and social security	1	1	-	-
Accruals	117	141	-	-
	<u>33,274</u>	<u>29,817</u>	<u>30,816</u>	<u>2,700</u>

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
Preference shares	-	786	-	786
Cumulative preference share dividends unpaid	-	2,605	-	2,605
Amounts owed to ultimate parent company	-	-	-	318
Amounts owed to subsidiary undertaking	-	-	-	24,254
	<u>-</u>	<u>3,391</u>	<u>-</u>	<u>27,963</u>

During the current year ended 31 December 2011 the preference share dividends have been reclassified as current, this is because the accounts have been prepared on a break up basis

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

15 Provisions for liabilities

Group

	Environmental provision £ 000
At 1 January 2011 and at 31 December 2011	<u>200</u>

The environmental provision relates to the costs of site clean up

16 Called up share capital

Allotted and fully paid shares

	2011		2010	
	Number 000	£ 000	Number 000	£ 000
Ordinary shares of £1 each	34,753	34,753	34,753	34,753
B Preference shares of £0 20 each	1,741	348	1,741	348
A Preference shares of £0 20 each	2,190	438	2,190	438
	<u>38,684</u>	<u>35,539</u>	<u>38,684</u>	<u>35,539</u>

Redeemable preference shares

The 'A' preference shareholders are entitled to a fixed cumulative preferential dividend of 7 pence per share. The 'B' preference shares carry a dividend entitlement, subject to the recommendation of the directors, of 7 pence per share.

The 'A' preference shares carry the right to be redeemed in five equal tranches of 438,074 shares per annum on 31 December of each year from 2000 to 2004 inclusive at a premium of 80 pence per share. No shares were redeemed at 31 December 2011. The 'B' preference shares carried the right to be redeemed on 31 December 2006 at a premium of 80 pence per share. No shares were redeemed at 31 December 2011.

Preference shares are classified within Creditors amounts falling due within one year, see note 13.

17 Reserves

Group

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2011	3,145	(69,350)	(66,205)
Loss for the financial year	-	(350)	(350)
At 31 December 2011	<u>3,145</u>	<u>(69,700)</u>	<u>(66,555)</u>

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

Company

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2011	3,145	(68,561)	(65,416)
Loss for the financial year	-	(153)	(153)
At 31 December 2011	<u>3,145</u>	<u>(68,714)</u>	<u>(65,569)</u>

18 Reconciliation of movements in shareholders' deficit

Group

	2011 £ 000	2010 £ 000
Loss for the financial year	(350)	(3,386)
Net increase to shareholders' deficit	(350)	(3,386)
Shareholders' deficit at 1 January 2011	(31,452)	(28,066)
Shareholders' deficit at 31 December 2011	<u>(31,802)</u>	<u>(31,452)</u>

Company

	2011 £ 000	2010 £ 000
Loss for the financial year	(153)	(153)
Net increase to shareholders' deficit	(153)	(153)
Shareholders' deficit at 1 January 2011	(30,663)	(30,510)
Shareholders' deficit at 31 December 2011	<u>(30,816)</u>	<u>(30,663)</u>

Disley Holdings (UK)
Notes to the Financial Statements for the year ended 31 December 2011

19 Pension schemes

Defined contribution pension scheme

In the prior year the group operated a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £nil (2010 - £110,700)

Contributions totalling £nil (2010 - £nil) were payable to the scheme at the end of the year and are included in creditors

20 Post balance sheet events

On the 24 February 2012 the Company sold the Bolton Site for £690,000 realising a profit on disposal of £49,000. As a result of this sale the responsibility for the environmental clean up of the site has passed to the buyer

21 Control

The company is controlled by the immediate parent undertaking Disley Holdings Inc, a company incorporated in Canada. The directors regard Kruger Inc, a company registered in Canada, as the ultimate parent company and ultimate controlling party. The smallest and largest group in which the results of the company are consolidated is that of which Kruger Inc. is the parent company. The consolidated financial statements of Kruger Inc are available from the secretary, Kruger Inc, 3285 Bedford Road, Montreal