Iggesund Paperboard (Workington) Limited

Directors' report and financial statements

Registered number 00075035

31 December 2014

Contents

Strategic Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Business review

Iggesund Paperboard is a market leader in the manufacture of folding boxboard ("FBB"), in the highest quality segments for consumer packaging and advanced graphics printing in Europe. This position is secured by constantly improving and developing the products and their availability, to a large extent through customer collaborations. Competitiveness is achieved by a cost-effective base, which has been strengthened through continuous improvements in the mill.

Incada, our market leading brand, is manufactured at the integrated mill in Workington, UK. The Incada family consists of products customised for different end-user applications. Incada products are widely used for book covers, greeting cards and the packaging of food, cosmetics, chocolate, pharmaceuticals and tobacco products.

The production volume increased by 12% during 2014, with an improved mill quality index of 3.5% compared with 2014. The current capacity of the Workington Mill is 200,000 tonnes.

The retained profit for the Company for the year was £18,596,000 after tax.

Gross assets at 31 December 2014 were £256,648,000 a decrease of 0.4% year on year, and net assets were £143,681,000 a decrease of 8.4% year on year.

Our environmental activity is guided through our ISO 14001 certificate and the fulfilment of the demands stipulated in our environmental permit is always high on our agenda.

Health and Safety is a prerequisite for a successful company and significant effort has been made to ensure that the Workington mill is a better and safer workplace. Our commitment to the national industrial standard remains unchanged, but we also continue with our programme to improve safety awareness, personal responsibility and risk assessment.

Key Performance Indicators

In addition to financial measures such as profitability and assets employed, a wide range of non-financial Key Performance Indicators are employed to help in the management of the business. Health & Safety, customer service, production and delivery volumes, as well as production efficiency are the key areas addressed by our KPI's. Accordingly, statistics relating to accident frequency, on-time deliveries, and the ratio of prime to gross production are examples of the information provided to the Company's management team.

Cash generation is measured as the net cash flow from operating activities, before re-investment in to the business in either capital assets or associated entities. Increases in stocks as well as accrued income relating to renewables obligation ceritificates were the main reasons behind the reduction in cash generated in 2014.

Government Grants and incentives

In March 2013 the Company commissioned a biomass fuelled combined heat and power plant (CHP), which entitles the Company to support under the Government's Renewables Obligation and Climate Change Levy Exemption programmes.

Principal risks and uncertainties

In the short to medium term, our main risks relate to currency fluctuations and commodity prices. As we import a significant proportion of our raw materials, and export over 60% of our output, unfavourable movements in exchange rates can understandably impact upon our financial results. Foreign currency hedging is used to help mitigate short term currency risk.

Increases in the cost of our inputs also represent a significant risk. This is particularly so in the short term, due to the effect market pressures on our sale prices has on our ability to recover cost increases. Where possible, we mitigate this risk by taking advantage of our parent company's strategic purchasing activities. We also enter into annual pricing mechanism agreements with key suppliers to help reduce cost uncertainties.

Strategic Report *(continued)*

In the longer term, the main risks facing the business are more strategic in nature. Although global demand for paper-based packaging is likely to continue increasing, there is potential for increased competition from producers in Europe as well as from developing countries.

UL Lofgren
Director

Workington
Cumbria
CA14 1JX

25-09-2015

Directors' Report

Result and dividends

The result after taxation was a profit of £18,596,000 *(2013: £10,767,000).*

During the year an interim dividend of £20,000,000 was paid. The directors do not propose the payment of a final dividend *(2013: £nil).*

Directors

The directors who served during the year were as follows:

LG Ericson	(Swedish)
A Jernhall	(Swedish)
T Stjernschantz	(Finnish)
I Black	(English)
UL Lofgren	(Swedish)
A Bresky	(Swedish - Chairman)
N Ringborg	(Swedish) (appointed 18 March 2015)
H Sjolund	(Swedish) (resigned 18 March 2015)

Employee policies

The company continues to operate a policy whereby employees are recruited, trained, developed and promoted on the basis of their suitability for the work to be performed. In particular, no applicant or employee receives less favourable treatment on the grounds of age, sex, handicap, marital status, creed, colour, race or ethnic origin, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. It is the policy of the company to make the fullest use of the potential of all its employees, including those who are disabled. The health, safety and welfare of everyone who enters our site or may be affected by our activities are regarded as the highest priority of the Company.

Monthly briefing of all employees is carried out in order to ensure important information concerning the business is fully communicated and to provide opportunities for discussion of these and other matters. At the Information and Consultation Forum the company informs and consults with all employees about matters concerning the company. The forum consists of elected and appointed representatives from all parts of the workforce.

Two employees represent the UK employees at the Holmen European Works Council at which issues relevant to all Holmen employees will be discussed.

The directors have a reasonable expectation that the Company will be able to sustain profitable operations for the foreseeable future. Hence the going concern basis of accounting has been adopted in preparing these financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

UL Lofgren

UL Lofgren
Director

Workington
Cumbria
CA14 1JX

25 - 09 - 2015

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Iggesund Paperboard (Workington) Limited

We have audited the financial statements of Iggesund Paperboard (Workington) Limited for the year ended 31 December 2014 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with the UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Iggesund Paperboard (Workington) Limited *(continued)*

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.

Liam Finnigan

Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Preston

28th September 2015

Profit and loss account

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	**186,311**	170,420
Change in stocks of finished goods and work in progress		**332**	2,717
		186,643	173,137
Other operating income		**17,486**	14,961
Raw materials and consumables		**(130,881)**	(129,114)
Other external charges		**(10,040)**	(7,830)
Staff costs	5	**(19,726)**	(19,988)
Depreciation and other amounts written off tangible assets	10	**(12,863)**	(10,901)
Other operating charges		**(6,465)**	(6,003)
Operating profit		**24,154**	14,262
Interest receivable and similar income	6	**59**	53
Interest payable and similar charges	7	**(859)**	(692)
Other finance costs	21	**146**	(439)
		(654)	(1,078)
Profit on ordinary activities before taxation	3	**23,500**	13,184
Tax on profit on ordinary activities	8	**(4,904)**	(2,417)
Profit on ordinary activities after taxation and profit for the financial year	18,19	**18,596**	10,767

All turnover and operating results were derived from continuing operations.

There is no material difference between the company's results as reported and on an historic cost basis. Accordingly, no note of historical cost profits and losses has been prepared.

The notes on pages 10 to 21 form part of these financial statements.

Balance sheet
at 31 December 2014

	Note	2014		2013	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*9*		**31**		31
Tangible assets	*10*		**143,357**		153,850
Current assets					
Stocks	*11*	**41,079**		40,547	
Debtors	*12*	**70,242**		61,173	
Cash at bank and in hand	*13*	**1,939**		2,060	
		113,260		103,780	
Creditors: Amounts falling due within one year	*14*	**(32,936)**		(33,690)	
Net current assets			**80,324**		70,090
Total assets less current liabilities			**223,712**		223,971
Creditors: Amounts falling due after more than one year	*15*		**(46,923)**		(46,237)
Provisions for liabilities and charges	*16*		**(15,073)**		(11,964)
Net assets excluding pension liability			**161,716**		165,770
Pension scheme deficit	*21*		**(18,035)**		(8,848)
Net assets including pension liability			**143,681**		156,922
Capital and reserves					
Called up share capital	*17*		**22,204**		22,204
Share premium account	*18*		**43,796**		43,796
Profit and loss account	*18*		**77,681**		90,922
Equity shareholders' funds	*19*		**143,681**		156,922

The notes on pages 10 to 21 form part of these financial statements.

These financial statements were approved by the board of directors on 25-09-2015 and were signed on its behalf by:

UL Lofgren
Director

Registered number 00075035

Statement of total recognised gains and losses
for the year ended 31 December 2014

	2014	2013
	£000	£000
Profit for the financial year	**18,596**	10,767
Actuarial (loss)/gain on pension scheme (see note 21)	**(14,796)**	4,545
Movement in deferred tax on actuarial losses	**2,959**	(1,163)
Total gains relating to the year	**6,759**	14,149

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

Basis of preparation

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

As the Company is a wholly owned subsidiary of Holmen AB, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Holmen AB, within which this Company is included, can be obtained from the address given in note 22.

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	20 years
Plant and machinery	-	4 to 20 years
Fixtures and fittings	-	4 years
Motor vehicles	-	4 years

Six months depreciation is charged in the year of acquisition, except for the expenditure on major projects which are depreciated from the date they are brought into operation.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials and goods for resale	-	average cost basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overhead based on a normal level of activity.

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to complete and dispose of the stock.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method.

The pension scheme deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme deficit is split between operating charges, financing items and, in the statement of total recognised gains and losses, actuarial gains and losses. Deferred tax on the actuarial gains/losses are netted off the pension scheme liability.

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

Leasing

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

Government grants

Grants that relate to specific capital expenditure on specific projects are treated as deferred income, which is then credited to the profit and loss account over the related assets useful life, or the duration of the project. Other grants are credited to the profit and loss account over the period which the grant is deemed to relate.

2 Turnover

Turnover, which is net of value added tax, represents amounts invoiced to third parties (including other companies in the Holmen group) in respect of board sales. In 2014 the sale of surplus electricity of £5,487,000 (*2013: £3,899,000*) generated by the company's combined heat and power plant was also included in turnover.

Turnover also includes amounts receivable from the sale of Renewables Obligation Certificates issued to the Company through the operation of its bio-mass plant. Turnover is recognised at the amount expected to be received at the point at which the certificates are earned which is then held in the balance sheet as accrued income until payment is received.

Other operating income, which is net of value added tax, represents amounts invoiced to third parties in respect of non-board sales relating to wood which is purchased but cannot be used in the company's manufacturing process.

An analysis of turnover by geographical destination is given below:

	2014	2013
	£000	£000
United Kingdom	**92,820**	71,323
Rest of Europe	**77,404**	80,985
Other	**16,087**	18,112
	186,311	170,420

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2014 £000	2013 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets:		
Depreciation of owned fixed assets	**12,863**	10,901
(Gains)/losses on foreign exchange	**(2,394)**	(871)
Amortisation of government grants	**(43)**	(47)
Pension scheme current service cost	**1,413**	1,444

Auditor's remuneration:

	2014 £000	2013 £000
Audit of these financial statements	**62**	61
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	**88**	75

4 Remuneration of directors

	2014 £000	2013 £000
As executives:		
Salary and benefit in kind	**462**	588
Pension contributions	**84**	76
	546	664

The emoluments of the highest paid director were £196,306 *(2013: £189,776)*. The highest paid director received pension contributions of £54,562 *(2013: £52,974)*. In total, two *(2013: three)* directors had benefits accruing under pension schemes to which the company contributes.

Benefits-in-kind comprise mainly of the provision of motor cars, housing and medical insurance.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees 2014	2013
Production	**315**	311
Distribution	**38**	44
Administration	**61**	69
	414	424

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons charged to the profit and loss account were as follows:

	2014 £000	2013 £000
Wages and salaries	**15,891**	16,102
Social security costs	**1,725**	1,777
Other pension costs	**2,110**	2,109
	19,726	19,988

6 Interest receivable and similar income

	2014 £000	2013 £000
Bank interest	**59**	53

7 Interest payable and similar charges

	2014 £000	2013 £000
Financing costs on group loans	**859**	692

8 Tax on profit on ordinary activities

Analysis of tax charge for the year

	2014 £000	2013 £000
UK corporation tax		
Current tax on income for the year	**-**	-
Adjustments in respect of prior years	**1,015**	(1,334)
	1,015	(1,334)
Deferred tax		
Origination and reversal of timing differences *(see note 16)*	**3,227**	2,814
FRS17 adjustments *(see note 21)*	**662**	937
Total tax charge	**4,904**	2,417

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

8 Tax on profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2013: lower)* than the standard rate of corporation tax in the UK of 21.5% *(2013: 23.25%)*. The differences are explained below:

	2014	2013
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**23,500**	13,184
Current tax at 21.5% *(2013: 23.25%)*	**5,053**	3,065
Effects of:		
Expenses not deductible for tax purposes	**21**	24
Depreciation on fixed assets not eligible for capital allowances	**554**	432
Depreciation for period in excess of/ (less than) capital allowances	**1,243**	(3,589)
(Creation)/Utilisation of losses	**(6,301)**	480
Adjustments in respect of prior periods	**1,015**	(1,334)
Group relief claimed	**(17)**	-
Timing of taxation of profits relating to items under FRS17	**(553)**	(412)
Total current tax charge/ (credit)	**1,015**	(1,334)

9 Intangible fixed assets

	Investment
	£000
Cost	
At beginning and end of year	31
Amortisation	
At beginning and end of year	-
Net book value	
At 31 December 2014 and 31 December 2013	**31**

The investment comprises one Ordinary share and one Debenture in the Wisley Golf Club Plc, incorporated in the UK.

Notes *(continued)*

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Motor Vehicles £000	Total £000
Cost						
At beginning of year	49,702	323,270	1,792	606	35	375,405
Additions	-	1,455	125	815	38	2,433
Disposals	-	(202)	-	-	(35)	(237)
At end of year	49,702	324,523	1,917	1,421	38	377,601
Depreciation						
At beginning of year	25,876	194,023	1,632	-	24	221,555
Charge for the year	394	12,338	121	-	10	12,863
Disposals	-	(146)	-	-	(28)	(174)
At end of year	26,270	206,215	1,753	-	6	234,244
Net book value						
At 31 December 2014	**23,432**	**118,308**	**164**	**1,421**	**32**	**143,357**
At 31 December 2013	23,826	129,247	160	606	11	153,850

11 Stocks

	2014 £000	2013 £000
Raw materials and consumables	**15,897**	19,753
Work in progress	**6,163**	4,524
Finished goods and goods for resale	**19,019**	16,270
	41,079	40,547

12 Debtors

	2014 £000	2013 £000
Trade debtors	**36,418**	28,104
Amounts owed by group undertakings	**25,662**	22,346
Other debtors	**525**	2,323
Corporation Tax	**194**	1,139
Prepayments and accrued income	**7,443**	7,261
	70,242	61,173

Notes *(continued)*

13 Cash pooling arrangements

As a consequence of the current banking arrangements, the majority of cash amounts are held with a bank account owned by the company's ultimate parent and has been included within amounts owed by group undertakings to reflect this rather than as cash. The stated cash at bank and in hand relates to amounts falling outside the cash pooling arrangement.

14 Creditors: Amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	**15,180**	15,191
Amounts owed to group undertakings	**8,849**	8,489
Other taxes and social security costs	**725**	671
Other creditors	**8,134**	9,291
Deferred income – grants received	**48**	48
	32,936	33,690

15 Creditors: Amounts falling due after more than one year

	2014	2013
	£000	£000
Amounts owed to group undertakings	**46,729**	46,000
Deferred income – grants received	**194**	237
	46,923	46,237

16 Provisions for liabilities

	Employee liability claims	**Deferred taxation**	**Total**
	£000	**£000**	**£000**
At beginning of year	298	11,666	11,964
Utilised during year	(100)	-	(100)
Charge to the profit and loss for the year	(18)	3,227	3,209
At end of year	**180**	**14,893**	**15,073**

The elements of deferred taxation are as follows:

	2014	2013
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	**18,567**	20,276
Other timing differences	**(13)**	(3)
Tax losses	**(3,661)**	(8,607)
Deferred tax liability	**14,893**	11,666

Notes *(continued)*

17 Share capital

	2014	2013
	£000	£000
Allotted, called up and fully paid:		
22,204,510 Ordinary shares of £1 each	**22,204**	22,204

18 Reserves

	Share capital £000	**Share premium £000**	**Profit and loss account £000**	**Total £000**
At beginning of year	22,204	43,796	90,922	156,922
Profit for the financial year	-	-	18,596	18,596
Dividend paid	-	-	(20,000)	(20,000)
Actuarial losses on pension scheme	-	-	(14,796)	(14,796)
Movement in deferred tax	-	-	2,959	2,959
At end of year	**22,204**	**43,796**	**77,681**	**143,681**

19 Reconciliation of movement in shareholders' funds

	£000
Profit for the financial year	18,596
Dividend paid	(20,000)
Actuarial losses	(14,796)
Movement in deferred tax	2,959
Shareholders' funds at beginning of year	156,922
Shareholders' funds at end of year	**143,681**

20 Other financial commitments

	2014	2013
	£000	£000
Capital expenditure contracted for	**979**	323

At 31 December there were the following commitments under non-cancellable operating leases:

Operating leases which expire:	**Land and buildings £000**	Land and buildings £000
Two to five years	**128**	260

Notes *(continued)*

Supply agreements

In order to ensure continuity of supply, the company has entered into the following supply agreements:

Supplier	Type of supply	Duration	Committed Expenditure £m
Forestry Commission	Pulpwood	Until 2018	8.4

21 Pension commitments

Defined contribution scheme

The company operates a defined contribution pension scheme for the benefit of the directors and certain employees. The pension cost charge for the period represents contributions payable to the scheme and amounted to £697,000 *(2013: £653,000)*. There were no outstanding or prepaid contributions at the year end *(2013: £nil)*.

Defined benefit scheme

The company makes contributions to a Group Pension Scheme providing benefits based on final pensionable pay. The pension scheme is set up under trust and the assets of the scheme are, therefore, held separately from those of the company.

The latest full actuarial valuation was carried out at 31 March 2013 and was updated for FRS 17 purposes to 31 December 2014 by a qualified independent actuary. The principal actuarial assumptions used as at 31 December 2014 are shown below:

	2014 %	2013 %	2012 %
Rate of increase in salaries	**3.75**	4.05	3.65
Rate of increase of pensions in payment	**3.00**	3.30	2.90
Rate of increase in deferred pensions	**3.00**	3.30	2.90
Discount rate	**3.70**	4.60	4.30
Inflation assumption (RPI)	**3.00**	3.30	2.90

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality

Life expectancies used in the liability calculations were based upon P*A92 tables projected to calendar year 2020. Based on these assumptions, the average future life expectancies at age 65, are summarised below;

	Men	Women
Current pensioners	22.9 years	25.4 years
Future pensioners	25.1 years	27.7 years

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2014 £000	2013 £000
Present value of funded defined benefit obligations	**171,015**	147,510
Fair value of plan assets	**(148,471)**	(136,450)
Deficit	**22,544**	11,060
Related deferred tax asset	**(4,509)**	(2,212)
Net liability	**18,035**	8,848

Notes *(continued)*

21 Pension commitments *(continued)*

Movements in present value of defined benefit obligation

	2014	2013
	£000	£000
At 1 January 2014	147,510	142,948
Current service cost	1,413	1,444
Past service cost	-	12
Interest cost	6,710	6,089
Actuarial losses	20,082	1,163
Contributions by members	431	442
Benefits paid	(5,131)	(4,588)
At 31 December 2014	171,015	147,510

Movements in fair value of plan assets

	2014	2013
	£000	£000
At 1 January 2014	136,450	124,898
Expected return on plan assets	6,856	5,650
Actuarial gains	5,286	5,708
Contributions by employer	4,579	4,340
Contributions by members	431	442
Benefits paid	(5,131)	(4,588)
At 31 December 2014	148,471	136,450

Analysis of other pension costs charged in arriving at operating profit (within staff costs):

	2014	2013
	£000	£000
Current service cost	1,413	1,444
Past service cost	-	12
	1,413	1,456

Analysis of amounts included in other finance costs:

	2014	2013
	£000	£000
Expected return on pension scheme assets	6,856	5,650
Interest on pension scheme liabilities	(6,710)	(6,089)
	146	(439)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £14,796,000 *(2013: £(4,545,000)*.

Notes *(continued)*

21 Pension commitments *(continued)*

The assets of the pension scheme, along with the expected rates of return on scheme assets, are shown below:

		2014		2013
		£000		£000
Equities	**5.00%**	76,911	6.10%	72,664
Bonds	**3.10%**	70,339	4.20%	62,518
Cash	**3.10%**	1,221	4.20%	1,268
Fair value of assets		148,471		136,450
Actual return on plan assets		12,142		11,358

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**171,015**	147,510	142,948	132,025	117,686
Fair value of scheme assets	**(148,471)**	(136,450)	(124,898)	(111,951)	(109,743)
Pension deficit	**22,544**	11,060	18,050	20,074	7,943

Experience adjustments

	2014	2013	2011	2010	2009
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on scheme liabilities	-	-	(4,508)	-	-
- as a percentage of scheme liabilities	**0%**	0%	(3%)	0%	0%
Experience adjustments on scheme assets	**(5,286)**	(5,708)	(7,811)	(3,574)	9,483
- as a percentage of scheme assets	**(4%)**	(4%)	(6%)	(3%)	9%

Analysis of projected amount to be charged to operating profit for the year to 31 December 2015

	31 December 2015
	£000
Projected current service cost	1,729
Interest on obligation	6,270
Expected return on plan assets	(5,830)
Total	**2,169**

Employer's contributions for the year to 31 December 2015 will be approximately £4,485,000 (*2013:£4,522,000*).

At present the Company contributes approximately 20.8% of pensionable pay plus £3.12 million p.a. (payable monthly). These were the rates agreed following completion of the formal actuarial revaluation as at 31 March 2013.

Notes *(continued)*

22 Ultimate parent company

The company is a wholly owned subsidiary of Holmen UK Limited, its immediate parent undertaking.

The company's ultimate parent undertaking is Holmen AB, incorporated in Sweden. Holmen AB group financial statements are the only consolidated financial statements in which the results are incorporated. Copies of its financial statements are available from:

Holmen AB
PO Box 5407
SE-114 84 Stockholm
Sweden