

GC PAPER LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

THURSDAY



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GC PAPER LIMITED

COMPANY INFORMATION

Directors	G Griffiths C Candler
Company secretary	S W Taylor
Registered number	06457867
Registered office	Premier House Midpoint Park Kingsbury Road Birmingham B76 1AF
Independent auditor	BDO LLP 125 Colmore Row Birmingham B3 3SD
Bankers	Lloyds TSB Bank plc Bailey Drive Gillingham Business Park Kent ME8 0LS
Solicitors	HBJ Gateley Wareing One Eleven Edmund Street Birmingham B3 2HJ

GC PAPER LIMITED

CONTENTS

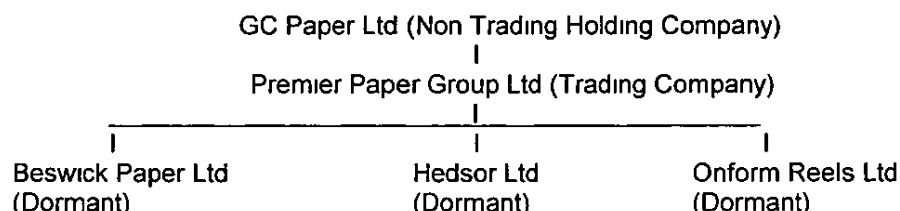
	Page
Group strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities	5
Independent auditor's report	6 - 7
Consolidated profit and loss account	8
Consolidated statement of total recognised gains and losses	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated cash flow statement	12
Notes to the financial statements	13 - 28

GC PAPER LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Principal activities

The company's principal activity is that of the distribution and merchanting of paper. Premier Paper Group Limited is part of the GC Paper Limited group, the corporate structure of which is shown below.



Business review

In 2013, the Group continued its development as the UK's leading independent paper merchant, providing its customers with a constantly improving local service and increased choice. During the year two major new product ranges were successfully launched, accelerating the Company's growth in stock business and, in association with the Woodland Trust, Premier introduced an innovative carbon capture program which is proving popular with environmentally conscious customers. The Group's main website was also upgraded with further customer benefits including B2B e-trading platforms and e-billing options. In addition, a major half million pound investment was made in Central Warehouse Logistics.

These improvements together with further investment in experienced personnel have put the Group into an even stronger position going into 2014 to deliver a first class service to a growing customer base.

Principal risks and uncertainties

The principal risk of the business is similar to all paper merchants in the UK, being the concerns regarding the level of market demand and the consequent price pressure on margins.

The company continues to seek opportunities to reduce costs and improve efficiencies as well as investing in added value and growth sectors of the market, such as products for digital printers, which it anticipates will continue to create a positive impact in future years.

The sector has experienced significant business failures from amongst its customers but the company continues to take active steps to improve its credit risk management, and carries credit insurance against its debtor book.

2013 Performance

Despite difficult market conditions continuing for the UK paper merchant industry during 2013, the company continued to trade successfully and consolidated its position with pre-tax profits of £4.6m (2012 £5.0m).

Sales volumes in the general market continued to fall by about 5% with no sign of volumes recovering post recession. Although Premier's sales volumes were also slightly down (2%) on the previous year, this was mainly due to a fall in specific indent volumes which masked further growth in the Company's core stock business, particularly in a number of key product sectors.

Sales values in 2013 were 5% lower at £144.7m (2012 £152.3m) mainly as a result of falling prices which continued to be under pressure during the year as a result of weak demand and supplier over capacity, particularly in the Coated Woodfree products sector. There were no supplier price increases in 2013, for a second year running, which continues to undermine profits generally in the paper merchant industry due to price erosion.

Gross margin percentages remained similar to the prior year at 19% resulting in overall gross profit of £28.2m which was slightly below the prior year (2012 £28.8m).

GC PAPER LIMITED

GROUP STRATEGIC REPORT (continued)

The company continually strives to challenge its cost base and ended the year with overheads broadly static at £22.9m (2012 £23.0m) despite inflationary increases in both salaries and fuel costs and additional delivery costs to support the growth in stock sales through the expanding branch network.

The knock on effects of the recession saw a few notable business failures in the printing sector but Premier avoided most of these and continuing credit insurance cover further helped to mitigate any profit impact.

Future developments

Premier Paper Group Limited continues to be the UK's largest independent paper merchant and the outlook for 2014 is for further consolidation of its UK market position at sustainable profit levels. The organisation is stable and focused with teams of long serving high quality people working well together. The company continues to build on these strengths and is in a good position to take advantage of any market growth when the UK finally emerges from the economic slump of the last 5 years.

This report was approved by the board on 24 February 2014 and signed on its behalf



.....
C Candler
Director

GC PAPER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013

Results and dividends

The profit for the year, before taxation, amounted to £4,577,000 (2012 - £5,032,000)

Interim dividends of £2,240,000 (2012 - £4,240,000) have been paid during the year. The directors do not propose a final dividend.

Directors

The directors who served during the year were

G Griffiths
C Candler

Directors' indemnity insurance policies were in place during the year and up to the date of this report. The policies are renewed annually.

Political and charitable contributions

The contributions made by the group during the year for political purposes were £NIL (2012 - £NIL) and for charitable purposes £1,040 (2012 - £3,370).

Financial instruments

The group's financial risk management objective is broadly to seek to make neither profit nor loss from interest rate risk. Its policy is to finance fixed assets and working capital through retained earnings and through bank borrowings and invoice discounting facilities at prevailing market interest rates. The group does not use hedge accounting and has few transactions in foreign currency.

The group's exposure to the price risk of financial instruments is therefore market fluctuation.

As the counterparty to most of its financial instruments is its bankers, it is also exposed to minimal credit and liquidity risk in respect of these instruments. The group sells goods on credit but manages the risk through a combination of sound credit control procedures and credit insurance.

Research and development activities

The group aims to develop and improve its product portfolio in conjunction with its major suppliers, whilst also developing its people and information technology.

Employee involvement

The group is committed to effective communication with all staff. Employees are provided with information on relevant matters by means of newsletters and circulars.

GC PAPER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Equal opportunities

The group is committed to the principle of equal opportunity in employment and to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, race, age, colour, nationality, religion, HIV status, disability, sexuality, unrelated criminal convictions or other unjustified requirements or conditions

The group applies employment policies that are fair and equitable and that ensure entry into, and progression within the group determined solely by application of job criteria, personal ability and competence

Disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy to provide continuing employment under normal terms and conditions

Provision of information to the auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information

This report was approved by the board on 24 February 2014 and signed on its behalf



C Candler
Director

GC PAPER LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

GC PAPER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GC PAPER LIMITED

We have audited the financial statements of GC Paper Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement 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).

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 statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC'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 group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

GC PAPER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GC PAPER LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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



Gareth Singleton (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

24 February 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

GC PAPER LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
TURNOVER	1,2	144,720	152,301
Cost of sales		<u>(116,520)</u>	<u>(123,505)</u>
GROSS PROFIT		28,200	28,796
Distribution costs		(11,998)	(12,110)
Administrative expenses		(11,191)	(11,191)
Other operating income	3	<u>112</u>	<u>150</u>
OPERATING PROFIT	4	5,123	5,645
Interest payable and similar charges	8	(500)	(530)
Other finance (expense)/income	9	<u>(46)</u>	<u>(83)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,577	5,032
Tax on profit on ordinary activities	10	<u>(1,188)</u>	<u>(1,427)</u>
PROFIT FOR THE FINANCIAL YEAR	20	<u>3,389</u>	<u>3,605</u>

All amounts relate to continuing operations

The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
PROFIT FOR THE FINANCIAL YEAR		3,389	3,605
Actuarial loss related to pension scheme	27	491	(411)
Deferred tax attributable to actuarial loss	27	(166)	57
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		3,714	3,251

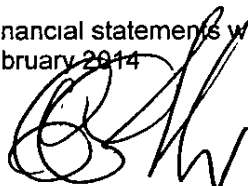
The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED
REGISTERED NUMBER: 06457867

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	£000	2012 £000
FIXED ASSETS					
Intangible assets	11		924		1,099
Tangible assets	12		3,246		3,127
			<u>4,170</u>		<u>4,226</u>
CURRENT ASSETS					
Stocks	14	12,172		11,394	
Debtors amounts falling due after more than one year	15	-		200	
Debtors amounts falling due within one year	15	35,482		36,584	
Cash at bank and in hand		556		710	
		<u>48,210</u>		<u>48,888</u>	
CREDITORS: amounts falling due within one year	16	<u>(39,029)</u>		<u>(40,690)</u>	
NET CURRENT ASSETS			<u>9,181</u>		<u>8,198</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>13,351</u>		<u>12,424</u>
CREDITORS: amounts falling due after more than one year	17		<u>(719)</u>		<u>(812)</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>12,632</u>		<u>11,612</u>
Defined benefit pension scheme liability	27		<u>(1,225)</u>		<u>(1,679)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>11,407</u>		<u>9,933</u>
CAPITAL AND RESERVES					
Called up share capital	19		-		-
Profit and loss account	20		11,407		9,933
SHAREHOLDERS' FUNDS	21		<u>11,407</u>		<u>9,933</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 February 2014



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C Candler
 Director

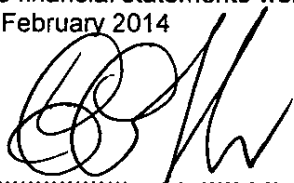
The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED
REGISTERED NUMBER: 06457867

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	2013 £000	2012 £000
FIXED ASSETS			
Investments	13	9,450	9,450
TOTAL ASSETS LESS CURRENT LIABILITIES		9,450	9,450
CREDITORS: amounts falling due after more than one year	17	(9,450)	(9,450)
NET ASSETS		-	-
CAPITAL AND RESERVES			
Called up share capital	19	-	-
SHAREHOLDERS' FUNDS	21	-	-

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 February 2014



C Candler
Director

The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
Net cash flow from operating activities	23	4,195	5,317
Returns on investments and servicing of finance	24	(500)	(530)
Capital expenditure and financial investment	24	(529)	(369)
Equity dividends paid		(2,240)	(4,240)
CASH INFLOW BEFORE FINANCING		926	178
Financing	24	(90)	(87)
INCREASE IN CASH IN THE YEAR		836	91

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 £000	2012 £000
Increase in cash in the year	836	91
Cash outflow from decrease in debt and lease financing	90	87
MOVEMENT IN NET DEBT IN THE YEAR	926	178
Net debt at 1 January 2013	(25,083)	(25,261)
NET DEBT AT 31 DECEMBER 2013	(24,157)	(25,083)

The notes on pages 13 to 28 form part of these financial statements

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company, GC Paper Limited and all of its subsidiary undertakings ('subsidiaries') at 31 December 2013 using acquisition accounting. Intercompany transactions and balances between group companies are eliminated on consolidation.

The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Turnover is recognised on despatch of goods.

1.4 Intangible fixed assets and amortisation

Goodwill represents the excess of the fair value of the purchase consideration for shares in subsidiary undertakings over the fair value of the net assets acquired and is amortised on a straight basis over its useful economic life subject to any impairment review. The useful economic life is assumed by the directors to be 10 years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line per annum
Short leasehold property	-	over the period of the lease
Plant and machinery	-	10% straight line per annum
Motor vehicles	-	14-20% straight line per annum
Fixtures and fittings	-	10% straight line per annum
Office equipment	-	20% straight line per annum
Computer equipment	-	20% straight line per annum

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.7 Operating leases

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

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for obsolete and slow-moving stocks

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.11 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year

For the defined benefit scheme, pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

No increase in the present value of liabilities of the company's defined benefit pension scheme is expected as there are no active members remaining in the scheme. The scheme is closed to new members and to the future accrual of benefit

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised on the balance sheet net of deferred tax

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2 TURNOVER

The whole of the turnover is attributable to paper merchanting and distribution

All turnover arose within the United Kingdom

3. OTHER OPERATING INCOME

	2013 £000	2012 £000
Rents receivable	<u>112</u>	<u>150</u>

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2013 £000	2012 £000
Amortisation - intangible fixed assets	175	175
Depreciation of tangible fixed assets		
- owned by the group	426	423
Operating lease rentals		
- plant and machinery	1,150	1,063
- other operating leases	1,526	1,543
Difference on foreign exchange	<u>7</u>	<u>9</u>

5. AUDITOR'S REMUNERATION

	2013 £000	2012 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	2	2
Fees payable to the company's auditor and its associates in respect of		
The auditing of accounts of subsidiaries of the company pursuant to legislation	31	39
Other services	3	7
Taxation	<u>6</u>	<u>6</u>

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

6. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2013 £000	2012 £000
Wages and salaries	10,834	10,576
Social security costs	1,112	1,111
Other pension costs (See note 27)	492	524
	<u>12,438</u>	<u>12,211</u>

The average monthly number of employees, including the directors, during the year was as follows

	2013 No.	2012 No
Administration	41	42
Warehouse and distribution	181	176
Sales	128	125
	<u>350</u>	<u>343</u>

In addition to the staff costs noted above, the company also paid costs of £109,000 (2012 - £173,000) including legal costs in relation to redundancy payments for the staff and directors. This is included within administration expenses.

7 DIRECTORS' REMUNERATION

	2013 £000	2012 £000
Remuneration	<u>140</u>	<u>140</u>
Company pension contributions to defined contribution pension schemes	<u>96</u>	<u>96</u>

During the year retirement benefits were accruing to 2 directors (2012 - 2) in respect of defined contribution pension schemes.

8. INTEREST PAYABLE

	2013 £000	2012 £000
On bank loans and overdrafts	<u>500</u>	<u>530</u>

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. OTHER FINANCE (EXPENSE)/INCOME

	2013	2012
	£000	£000
Expected return on pension scheme assets	313	275
Interest on pension scheme liabilities	(359)	(358)
	<u>(46)</u>	<u>(83)</u>

10. TAXATION

	2013	2012
	£000	£000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	6	-
Deferred tax		
Origination and reversal of timing differences	1,085	1,124
Effect of decreased tax rate on opening liability	65	276
Deferred tax charge on pension scheme	32	27
Total deferred tax (see note 18)	<u>1,182</u>	<u>1,427</u>
Tax on profit on ordinary activities	<u>1,188</u>	<u>1,427</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23% (2012 - 24%). The differences are explained below

	2013	2012
	£000	£000
Profit on ordinary activities before tax	<u>4,577</u>	<u>5,032</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2012 - 24%)	1,053	1,208
Effects of:		
Fixed asset differences	4	3
Expenses not deductible for tax purposes	11	19
Accelerated capital allowances	(128)	(117)
Utilisation of losses b/f	(941)	(1,127)
FRS17 adjustment	(32)	(27)
Amortisation not tax deductible	39	41
Current tax charge for the year (see note above)	<u>6</u>	<u>-</u>

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

10. TAXATION (continued)

Factors that may affect future tax charges

The group has trading losses of £454,000 (2012 - £4,513,000) which are available for carry forward and set off against future taxable profits. A deferred tax asset has been recognised for these along with other fixed asset timing differences (see note 18).

The Chancellor has announced a reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014. The Chancellor has proposed further changes to reduce the main rate of corporation tax per annum to 20% by 1 April 2015. These changes became substantively enacted on 2 July 2013 and therefore the effect of the rate reductions has been reflected in the calculation of the deferred tax asset as it was substantively enacted prior to the balance sheet date.

11. INTANGIBLE FIXED ASSETS

	Goodwill £000
Group	
Cost	
At 1 January 2013 and 31 December 2013	<u>1,751</u>
Amortisation	
At 1 January 2013	652
Charge for the year	<u>175</u>
At 31 December 2013	<u>827</u>
Net book value	
At 31 December 2013	<u>924</u>
At 31 December 2012	<u>1,099</u>

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12 TANGIBLE FIXED ASSETS

Group	Land and buildings £000	Plant, machinery and other assets £000	Total £000
Cost			
At 1 January 2013	3,140	3,470	6,610
Additions	15	542	557
Disposals	-	(293)	(293)
At 31 December 2013	<u>3,155</u>	<u>3,719</u>	<u>6,874</u>
Depreciation			
At 1 January 2013	1,187	2,296	3,483
Charge for the year	119	307	426
On disposals	-	(281)	(281)
At 31 December 2013	<u>1,306</u>	<u>2,322</u>	<u>3,628</u>
Net book value			
At 31 December 2013	<u>1,849</u>	<u>1,397</u>	<u>3,246</u>
At 31 December 2012	<u>1,953</u>	<u>1,174</u>	<u>3,127</u>

Included in land and buildings is freehold land at cost of £631,700 (2012 - £631,700) which is not depreciated

At 31 December 2013, included within the net book value of land buildings £1,294,015 (2012 - £1,317,662) relates to freehold land and buildings and £554,194 (2012 - £634,728) relates to short term leasehold land and buildings

Included in land and building is investment property at a cost of £861,536 (2012 - £861,536) with accumulated depreciation of £274,811 (2012 - £259,875) Based on external available relevant property yields the directors are satisfied there is not a significant difference between the carrying value of the property in the accounts and the relevant market value and as such they consider that not accounting for this property as an investment property in accordance with relevant accounting standards is not material to the financial statements

13. FIXED ASSET INVESTMENTS

Subsidiary undertakings

The following were subsidiary undertakings of the company all of which were incorporated in England

Name	Class of shares	Holding
Premier Paper Group Limited	Ordinary	100%
Hedsor Limited (dormant)	Ordinary	100%
Onform Reels Limited (dormant)	Ordinary	100%
Beswick Paper Limited (dormant)	Ordinary	100%

The principal activity of Premier Paper Group Limited is that of the distribution and merchandising of paper

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

13. FIXED ASSET INVESTMENTS (continued)

Company	Investments in subsidiary companies £000
Cost	
At 1 January 2013 and 31 December 2013	9,450
Net book value	
At 31 December 2013	9,450
At 31 December 2012	9,450

14. STOCKS

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Finished goods and goods for resale	12,172	11,394	-	-

15. DEBTORS

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Due after more than one year				
Deferred tax asset (see note 18)	-	200	-	-
Due within one year				
Trade debtors	34,194	34,248	-	-
Other debtors	328	378	-	-
Prepayments and accrued income	510	558	-	-
Deferred tax asset (see note 18)	450	1,400	-	-
	35,482	36,584	-	-

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

16. CREDITORS:
Amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Bank loans and overdrafts	23,994	24,981	-	-
Trade creditors	11,082	11,238	-	-
Corporation tax	6	-	-	-
Other taxation and social security	3,147	3,503	-	-
Other creditors	800	968	-	-
	39,029	40,690	-	-

Bank loans and overdrafts of £23,902,320 (2012 - £24,891,668) represent money advanced under an invoice discounting facility which is secured on the trade debtors of the group and a floating charge over other assets of all group companies

Details of security held by the bank in respect of bank loans are given in note 17

17 CREDITORS:
Amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Bank loans	719	812	-	-
Amounts owed to group undertakings	-	-	9,450	9,450
	719	812	9,450	9,450

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Repayable by instalments	327	438	-	-

The bank loan is repayable by monthly repayments over 20 years. Interest is charged on the loan at 2.4% per annum over the Bank's Sterling Base Rate.

The bank loan is secured over the freehold property, a debenture comprising fixed and floating charges over all the assets and undertaking of Premier Paper Group Limited and also a debenture comprising fixed and floating charges over all the assets and undertakings of GC Paper Limited. The bank also holds an unlimited composite company guarantee given by GC Paper Limited and Premier Paper Group Limited to secure all liabilities of each other.

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

18. DEFERRED TAXATION

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
At beginning of year	1,600	3,000	-	-
Charge for the year	(1,150)	(1,400)	-	-
At end of year	450	1,600	-	-

The deferred taxation balance is made up as follows

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Accelerated capital allowances	347	550	-	-
Tax losses brought forward	91	1,035	-	-
Short term timing differences	12	15	-	-
	450	1,600	-	-

The deferred tax asset provided is included in debtors and has been split between due within one year and due after more than one year in note 15 in accordance with the period over which it is anticipated to be utilised

19. SHARE CAPITAL

	2013	2012
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

20. RESERVES

Group	Profit and loss account £000
At 1 January 2013	9,933
Profit for the financial year	3,389
Dividends Equity capital (Note 22)	(2,240)
Other recognised losses in the year (page 8)	325
At 31 December 2013	11,407

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

20. RESERVES (continued)

	Profit and loss account £000
Company	
Profit for the financial year	2,240
Dividends Equity capital (Note 22)	(2,240)
	<hr/>
At 31 December 2013	-
	<hr/> <hr/>

The closing balance on the profit and loss account includes a £1,225,000 (2012 - £1,679,000) debit, stated after deferred taxation of £304,000 (2012 - £502,000), in respect of pension scheme liabilities of the Group and Company pension scheme

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Group		
Opening shareholders' funds	9,933	10,922
Profit for the financial year	3,389	3,605
Dividends (Note 22)	(2,240)	(4,240)
Other recognised losses in the year (page 8)	325	(354)
	<hr/>	<hr/>
Closing shareholders' funds	11,407	9,933
	<hr/> <hr/>	<hr/> <hr/>
	2013 £000	2012 £000
Company		
Opening shareholders' funds	-	-
Profit for the financial year	2,240	4,240
Dividends (Note 22)	(2,240)	(4,240)
	<hr/>	<hr/>
Closing shareholders' funds	-	-
	<hr/> <hr/>	<hr/> <hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The profit for the year dealt with in the accounts of the company was £2,240,000 (2012 - £4,240,000)

22. DIVIDENDS

	2013 £000	2012 £000
Dividends paid on equity capital	2,240	4,240
	<hr/> <hr/>	<hr/> <hr/>

The dividend paid during the year of £2,240,000 (2012 - £4,240,000) was paid to the shareholders and directors of the company (split equally)

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £000	2012 £000
Operating profit	5,123	5,645
Amortisation of intangible fixed assets	175	175
Depreciation of tangible fixed assets	426	423
(Profit)/loss on disposal of tangible fixed assets	(16)	8
(Increase)/decrease in stocks	(778)	1,268
Decrease in debtors	152	1,863
Decrease in creditors	(680)	(3,865)
Pension contributions on defined benefit scheme in excess of charge	(207)	(200)
	<u>4,195</u>	<u>5,317</u>
Net cash inflow from operating activities	<u><u>4,195</u></u>	<u><u>5,317</u></u>

24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2013 £000	2012 £000
Returns on investments and servicing of finance		
Interest paid	(500)	(530)
	<u>(500)</u>	<u>(530)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(557)	(377)
Proceeds from sale of tangible fixed assets	28	8
	<u>(529)</u>	<u>(369)</u>
Net cash outflow from capital expenditure	<u><u>(529)</u></u>	<u><u>(369)</u></u>
	<u><u>2013</u></u>	<u><u>2012</u></u>
	<u><u>£000</u></u>	<u><u>£000</u></u>
Financing		
Repayment of loans	(90)	(87)
	<u>(90)</u>	<u>(87)</u>

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

25. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2013 £000	Cash flow £000	Other non-cash changes £000	31 December 2013 £000
Cash at bank	710	(154)	-	556
Invoice discounting facility	(24,892)	990	-	(23,902)
	<u>(24,182)</u>	<u>836</u>	<u>-</u>	<u>(23,346)</u>
Debt:				
Debts due within one year	(89)	90	(93)	(92)
Debts falling due after more than one year	(812)	-	93	(719)
	<u>(25,083)</u>	<u>926</u>	<u>-</u>	<u>(24,157)</u>
Net debt	<u>(25,083)</u>	<u>926</u>	<u>-</u>	<u>(24,157)</u>

26. CONTINGENT LIABILITIES

The company has given cross guarantees and indemnities over all of the borrowings of the GC Paper Limited group in favour of Lloyds TSB Commercial Finance Limited. Total group borrowings as at the year end secured by these guarantees and indemnities amounted to £23,902,320 (2012 - £24,891,688).

The company is also party to a deed of priority with Lloyds TSB Commercial Finance, HSBC Bank Plc, Premier Paper Group Limited, GC Paper Limited and Beswick Paper Limited.

27. PENSION COMMITMENTS

Defined contribution scheme

The group operates a defined contribution pension scheme, which is open to all employees. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £492,000 (2012 - £524,000).

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

F J Beswick (Paper) Limited Pension & Life Assurance Scheme

This is a defined benefit scheme previously operated by Beswick Paper Limited. The scheme was closed to the future accrual of benefit in March 2003. Further contributions are being made to eliminate the deficiency by 2020.

The assets and liabilities of the pension scheme are included in the balance sheet, in addition to the assets and liabilities included there are some insured policies which are excluded. Actuarial gains and losses are recognised in the statement of recognised gains and losses. The figures as at 30 June 2013 have been updated in order to assess the additional disclosures required under FRS 17 as at 31 December 2013 by an independent qualified actuary.

The scheme holds quoted securities and these have been valued at bid-price.

With regards to the recent legislative changes relating to the use of CPI rather than RPI the directors have instructed the actuary that none of the scheme benefits are affected by this change and they continue to be based on RPI.

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

27. PENSION COMMITMENTS (continued)

The overall expected long term return on scheme assets is a weighted average of expected long term return of equity securities, debt securities and other assets. The returns on each category are as follows

- The long term expected rate of return on properties and equities 7.5% (2012 6.5%)
- The long term expected rate of return on corporate bonds 4.5% (2012 3.8%)
- The long term expected rate of return on fixed interest gilts and index linked bonds is 3.6% (2012 2.7%)
- Cash is expected to yield a return 3.6% (2012 2.7%)

The amounts recognised in the balance sheet are as follows

	2013	2012
	£000	£000
Present value of funded obligations	(8,153)	(7,977)
Fair value of scheme assets	6,624	5,796
	<hr/>	<hr/>
Deficit in scheme	(1,529)	(2,181)
Related deferred tax asset	304	502
	<hr/>	<hr/>
Net liability	(1,225)	(1,679)
	<hr/> <hr/>	<hr/> <hr/>

The amounts recognised in profit or loss are as follows

	2013	2012
	£000	£000
Interest on obligation	(359)	(358)
Expected return on scheme assets	313	275
	<hr/>	<hr/>
Total	(46)	(83)
	<hr/> <hr/>	<hr/> <hr/>
Actual return on scheme assets	955	566
	<hr/> <hr/>	<hr/> <hr/>

Movements in the present value of the defined benefit obligation were as follows

	2013	2012
	£000	£000
Opening defined benefit obligation	7,977	7,137
Interest cost	359	358
Actuarial Losses	151	702
Benefits paid	(334)	(220)
	<hr/>	<hr/>
Closing defined benefit obligation	8,153	7,977
	<hr/> <hr/>	<hr/> <hr/>

GC PAPER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

27. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets were as follows

	2013	2012
	£000	£000
Opening fair value of scheme assets	5,796	5,250
Expected return on assets	313	275
Actuarial gains and (losses)	642	291
Contributions by employer	207	200
Benefits paid	(334)	(220)
	6,624	5,796

The cumulative amount of actuarial gains and losses recognised in the consolidated statement of total recognised gains and losses was £1,131,000 (2012 - £1,622,000)

The group expects to contribute £240,000 to its in 2014

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2013	2012
Fixed interest bonds	8.00 %	8 00 %
Equities	74 00 %	65 00 %
Cash	6.00 %	4 00 %
Corporate bonds	11.00 %	20 00 %
Index linked bonds	1.00 %	3 00 %

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2013	2012
Inflation	3.30 %	2 60 %
Rate of increase of pension is deferment	3.30 %	2 60 %
Discount rate for liabilities	4.60 %	4 60 %
Rate of increase of pensions in payment	3.30 %	3 00 %

Amounts for the current and previous five periods are as follows

Defined benefit pension schemes

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Defined benefit obligation	(8,153)	(7,977)	(7,137)	(6,234)	(5,778)
Scheme assets	6,624	5,796	5,250	5,501	4,678
Deficit	(1,529)	(2,181)	(1,887)	(733)	(1,100)
Experience adjustments on scheme liabilities	(151)	(702)	(715)	(282)	(742)
Experience adjustments on scheme assets	642	291	(684)	468	344

GC PAPER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

28. OPERATING LEASE COMMITMENTS

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows

Group	Land and buildings		2013 £000	Other 2012 £000
	2013 £000	2012 £000		
Expiry date:				
Within 1 year	506	112	121	48
Between 2 and 5 years	832	1,366	840	753
After more than 5 years	163	163	223	248

29. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with other wholly owned members of the group headed by GC Paper Limited

30. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party