

PaperlinX (Europe) Limited

**Directors' report and consolidated
financial statements for the year ended
30 June 2005**

Registered number 4427116

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2005

Principal activities

The principal activity of the Group is that of paper merchanting

Business review

The consolidated group profit for the year is £17,840,000 (2004 £15,363,000) No interim dividend on the ordinary shares was paid and the directors do not recommend the payment of a final dividend on the ordinary shares in respect of the year

Directors and directors' interests

The directors who held office during the year were as follows

DG Abotomey (Resigned 31 March 2006)

MJ Fothergill (Appointed 6 February 2004 and resigned 31 October 2005)

MJ Smutheram

Subsequent appointments were as follows

SP King (Appointed 14 November 2005)

DM Lamont (Appointed 13 March 2006)

Since the company meets the definition in s736 (2)(3) of the Companies Act 1985 of a wholly owned subsidiary of a body corporate incorporated outside Great Britain, the company is able to take advantage of regulation 3 (1)(a) of Statutory Instrument 1985/802 exempting the company from the requirement to disclose directors' share interests and options in group companies

Directors' report *(continued)*

Political and charitable contributions

The group made no political contributions or charitable donations during the year

Employment of disabled people and employee involvement


It is the group's policy to ensure that equal opportunity is given for the employment, training and career development of disabled persons, including persons who became disabled whilst in the group's employment

The motivation and commitment of its employees are a major contributor to the group's success. The group seeks the ongoing involvement of staff through a combination of employee consultation forums, employee newsletters and employee feedback initiatives

Auditors

On 28 April 2003, the company passed a resolution to dispense with the need to appoint auditors annually

By order of the board



M J Snotheram
Secretary

1 Bricklayers Arms Distribution Centre
Mandela Way
London SE1 5SP
20 April 2007

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of PaperlinX (Europe) Limited

We have audited the financial statements on pages 5 to 38

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

23/4/07

Consolidated profit and loss account
for the year ended 30 June 2005

	<i>Note</i>	2005 £000	2004 £000
Group Turnover			
Continuing operations		1,915,980	1,414,966
		<hr/>	<hr/>
		1,915,980	1,414,966
 Cost of sales		 (1,532,899)	 (1,133,347)
		<hr/>	<hr/>
Gross profit		383,081	281,619
Distribution costs		(96,406)	(66,089)
Administrative expenses		(125,969)	(84,387)
Sales and marketing		(113,816)	(97,489)
Other operating income		3,459	3,966
		<hr/>	<hr/>
Group operating profit – Continuing operations		50,349	37,620
 Other interest receivable and similar income	7	 952	 688
Interest payable and similar charges	8	(25,817)	(19,225)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	25,484	19,083
Tax on profit on ordinary activities	9	(7,628)	(3,709)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		17,856	15,374
Minority interests			
Equity	21	(16)	(11)
		<hr/>	<hr/>
Profit for the financial year		17,840	15,363
		<hr/>	<hr/>
Retained profit for the year		17,840	15,363
		<hr/>	<hr/>


The result for the current and preceding period relate to continuing operations

Consolidated balance sheet

At 30 June 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Intangible assets	10				
Goodwill		77,839		78,244	
Other intangible assets		10,293		10,852	
			88,132		89,096
Tangible assets	11		108,893		113,284
Investments	12		4,697		6,829
			201,722		209,209
Current assets					
Stocks	13	137,879		146,444	
Debtors (including 905,612 (2004 £920,000) due after more than one year)	14	446,334		461,444	
Cash at bank and in hand		111,608		121,556	
			695,821		729,444
Creditors: amounts falling due within one year	15		(622,043)		(655,621)
Net current assets			73,778		73,823
Total assets less current liabilities			275,500		283,032
Creditors: amounts falling due after more than one year	16		(3,221)		(26,171)
Provisions for liabilities and charges	17		(20,606)		(25,331)
Net assets			251,673		231,530
Capital and reserves					
Called up share capital	19		15,158		15,158
Share premium account	20		201,157		201,157
Profit and loss account	20		34,987		14,803
Shareholders' funds					
Equity			251,302		231,118
Minority interests (including non-equity)	21		371		412
			251,673		231,530

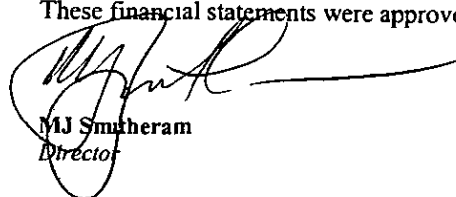
These financial statements were approved by the board of directors on 20 April 2007 and were signed on its behalf by


MJ Smitheram
Director

Company Balance sheet
at 30 June 2005

	<i>Note</i>	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Investments	12		216,315		216,315
			<hr/>		<hr/>
			216,315		216,315
Current assets					
Debtors	14	8,340		1,299	
		<hr/>		<hr/>	
Creditors amounts falling due within one year	15	-		(3)	
		<hr/>		<hr/>	
Net current assets			8,340		1,296
			<hr/>		<hr/>
Total assets less current liabilities			224,655		217,611
			<hr/>		<hr/>
Net assets			224,655		217,611
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	19		15,158		15,158
Share premium account	20		201,157		201,157
Profit and loss account	20		8,340		1,296
			<hr/>		<hr/>
Shareholders' funds					
Equity			224,655		217,611
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 20 April 2007 and were signed on its behalf by


MJ Smitheram
Director

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2005

	2005 £000	2004 £000
Profit for the financial year	17,840	15,363
Exchange differences on the retranslation of net investments and related borrowings	2,344	(5,924)
Total recognised gains and losses relating to the financial year	20,184	9,439

Reconciliations of movements in shareholders' funds
for the year ended 30 June 2005

	2005 £000	Group 2004 £000	2005 £000	Company 2004 £000
Profit for the financial year	17,840	15,363	7,044	204
New share capital issued	-	168,315	-	168,315
Exchange adjustment	2,344	(5,924)	-	-
Net addition to shareholders' funds	20,184	177,754	7,044	168,519
Opening shareholders' funds	231,118	53,364	217,611	49,092
Closing shareholders' funds	251,302	231,118	224,655	217,611

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 group's financial statements except as noted below. The group has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 (revised 1996), the group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the group in its own published consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Concessions, brands, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 20 years.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	40 years (2.5% per annum)
Leasehold land and buildings	-	life of lease
Plant and machinery	-	2.5 to 25 years (4-40% per annum)

No depreciation is provided on freehold land

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

Certain of the group's subsidiaries participate in defined contribution pension schemes. The assets of these schemes are held separately from those of the group 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.

Certain of the group's subsidiaries participate in pension schemes providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis. Net realisable value is based on selling price less further costs expected to be incurred to sale. Provision is made when necessary for obsolete, slow moving and defective stocks.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Taxation

The charge for taxation is based on the profit 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, 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

Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements

Tax charges or credits arising on the retranslation of foreign currency borrowings used to finance or provide a hedge against equity investments in foreign enterprises are taken to the Statement of Total Recognised Gains and Losses together with the exchange differences on the borrowings themselves

Notes (continued)

2 Segmental information

No analysis of turnover by class of business is given or geographic destination, as it is the opinion of the Directors that all turnover arose from the sole line of business, namely the sale of printing substrates to third parties based in Europe

3 Profit on ordinary activities before taxation

	2005 £000	2004 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Group		
- audit	1,195	1,168
- fees paid to the auditors and its associates in respect of other services	140	133
Company		
- audit	35	87
Depreciation and other amounts written off tangible and intangible fixed assets	18,585	14,670
Hire of plant and machinery - rentals payable under operating leases	8,205	7,155
Hire of other assets - operating leases	14,211	10,820
Profit on sale of fixed assets	(1,244)	(1,000)

Notes (continued)

4 Profit of the parent company

The profit of the parent company for the period was £7,044,000 (2004 £204,000)

By virtue of section 230 of the Companies Act 1985, the Company is exempt from the requirement to present a separate profit and loss

5 Remuneration of directors

None of the directors received any remuneration in respect of services provided to the group during the years ended 30 June 2005 and 30 June 2004

6 Staff numbers and costs

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

	Number of employees	
	2005	2004
Average number of employees (including directors) employed during the year	5,259	5,430

The aggregate payroll costs of these persons were as follows

	2005 £000	2004 £000
Wages and salaries	135,404	102,646
Social security costs	21,485	14,863
Other pension costs	8,060	7,063
	<u>164,949</u>	<u>124,572</u>

7 Other interest receivable and similar income - Group

	2005 £000	2004 £000
Receivable from group undertakings	921	469
Other	31	219
	<u>952</u>	<u>688</u>

8 Interest payable and similar charges - Group

	2005 £000	2004 £000
On bank loans and overdrafts	2,867	2,489
Payable to group undertakings	22,950	16,736
	<u>25,817</u>	<u>19,225</u>

Notes (continued)

9 Taxation

Analysis of charge in period

	2005 £000	2005 £000	2004 £000	2004 £000
<i>UK corporation tax</i>				
Current tax on income for the period	5,245		4,597	
Adjustments in respect of prior periods	-		23	
	<u> </u>	5,245	<u> </u>	4,620
<i>Foreign tax</i>				
Current tax on income for the period	3,410		(1,906)	
Adjustments in respect of prior periods	-		-	
	<u> </u>	3,410	<u> </u>	(1,906)
		<u> </u>		<u> </u>
Total current tax		8,655		2,714
<i>Deferred tax (see note 17)</i>				
Origination/reversal of timing differences	(1,027)		995	
	<u> </u>		<u> </u>	
Total deferred tax		(1,027)		995
		<u> </u>		<u> </u>
Tax on profit on ordinary activities		7,628		3,709
		<u> </u>		<u> </u>

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2004 lower) than the standard rate of corporation tax in the UK (30%, 2003 30%) The differences are explained below

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	25,484	19,083
Current tax at 30% (2004 30%)	7,645	5,725
<i>Effects of</i>		
Expenses not deductible for tax purposes		
- goodwill amortisation	872	626
- other	-	252
Utilisation of tax losses	-	(6,318)
Differences in foreign tax rates	3,170	(438)
Losses not tax effected	44	1,115
Other permanent differences	(4,103)	2,747
Other timing differences	1,027	(995)
Total current tax charge (see above)	8,655	2,714

Factors that may affect future current and total tax charges

- Amortisation of goodwill
- Differences between book depreciation and capital allowances on plant and equipment
- Timing of deductibility of certain provisions and accruals

Notes (continued)

10 Intangible fixed assets

The fair values of intangible assets (brands) acquired as part of the business combination have been determined by an independent valuation. Brands are amortised over 20 years, being the director's assessment of their anticipated useful lives.

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The following sets out the periods over which goodwill is amortised and the reasons for the periods chosen.

The Paper Company Limited	20 years
The Paper merchanting division of Buhrmann N V	20 years

The reasons for selecting these periods are that the Directors believe the benefits of this acquisition will continue for at least this period.

Group	Goodwill £000	Brands £000	Total £000
Cost			
At beginning of year	83,671	11,230	94,901
Acquisitions (see note 18)	5,850	-	5,850
Currency adjustment	(510)	9	(501)
	<hr/>	<hr/>	<hr/>
At end of year	89,011	11,239	100,250
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of year	5,427	378	5,805
Charged in year	4,347	568	4,915
Currency adjustment	1,398	-	1,398
	<hr/>	<hr/>	<hr/>
At end of year	11,172	946	12,118
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2005	77,839	10,293	88,132
	<hr/>	<hr/>	<hr/>
At 30 June 2004	78,244	10,852	89,096
	<hr/>	<hr/>	<hr/>

Company

The Company does not hold any intangible fixed assets.

Notes (continued)

11 Tangible fixed assets

Group	Land and buildings £000	Plant and Machinery £000	Total £000
Cost			
At beginning of year	109,140	137,897	247,037
Additions	1,663	6,900	8,563
Disposals	(3,141)	(13,818)	(16,959)
Acquisitions (see note 18)	1,851	304	2,155
Reallocation	(324)	(1,305)	(1,629)
Currency Adjustment	730	489	1,219
At end of year	109,919	130,467	240,386
Depreciation			
At beginning of year	31,570	102,183	133,753
Charge for year	2,384	11,286	13,670
Reallocation	(554)	(1,075)	(1,629)
Currency adjustment	140	311	451
On disposals	(1,916)	(12,836)	(14,752)
At end of year	31,624	99,869	131,493
Net book value			
At 30 June 2005	78,295	30,598	108,893
At 30 June 2004	77,570	35,714	113,284

The net book value of land and buildings comprises

	Group 2005 £000	Group 2004 £000
Freehold	77,348	76,607
	77,348	76,607

Company

The Company does not hold any tangible fixed assets

Notes (continued)

12 Fixed asset investments

Group	Term Deposits £000	Share in other investments £000	Total £000
<i>Cost</i>			
At beginning of year	852	5,977	6,829
Repayments	(310)	-	(310)
Write down of investment	-	(1,874)	(1,874)
Increase in minority interest	-	9	9
Foreign exchange differences	6	37	43
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2005	548	4,149	4,697
	<hr/>	<hr/>	<hr/>
At 30 June 2004	852	5,977	6,829
	<hr/>	<hr/>	<hr/>

Company	Shares in Subsidiary undertakings £000	Total £000
<i>Cost</i>		
At beginning of year	216,315	216,315
	<hr/>	<hr/>
At end of year	216,315	216,315
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 June 2005	216,315	216,315
	<hr/>	<hr/>
At 30 June 2004	216,315	216,315
	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investments (continued)

The undertakings in which the company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class of shares held	Holding %
<i>Subsidiary undertakings</i>				
PaperlinX Brands (Europe) Ltd	UK	Holding	Ordinary	100%
PaperlinX Services (Europe) Ltd	UK	Management Services	Ordinary	100%
PaperlinX Investments (Europe) Ltd	UK	Holding	Ordinary	100%
PaperlinX Treasury (Europe) Limited	UK	Treasury Management	Ordinary	100%
PaperlinX Austria GmbH	Austria	Holding	Ordinary	100%
PaperNet GmbH	Austria	Merchanting	Ordinary	100%
Ospap Velkoobchod Papierem AS	Czech Republic	Merchanting	Ordinary	100%
Multiexpo Spol s r o	Czech Republic	Merchanting	Ordinary	100%
Adria Papir d o o	Croatia	Merchanting	Ordinary	100%
Budapest Papir Kft	Hungary	Merchanting	Ordinary	100%
Tulipel Comercio de Paperis Lda	Portugal	Merchanting	Ordinary	100%
Alpe Papir Trgovina na Velido D o o	Slovenia	Merchanting	Ordinary	100%
Bratislavská Papierenská Spoločnosť	Slovakia	Merchanting	Ordinary	100%
PaperlinX Denmark ApS	Denmark	Holding	Ordinary	100%
PaperNet Scandinavia ApS	Denmark	Merchanting	Ordinary	100%
Udesen AS Grafisk Fagcenter	Denmark	Merchanting	Ordinary	100%
CC&Co Holding ApS	Denmark	Merchanting	Ordinary	100%
Aktieselskabet Christian Christensen & Co	Denmark	Merchanting	Ordinary	100%
Corporate Express Denmark AS	Denmark	Merchanting	Ordinary	100%
CC&Co Ejendomme AS	Denmark	Merchanting	Ordinary	100%
Plus Office AS	Denmark	Merchanting	Ordinary	100%
Epacar NV	Belgium	Merchanting	Ordinary	100%
PaperNet Oy	Finland	Merchanting	Ordinary	100%
Axellum SAS	France	Merchanting	Ordinary	100%
Thomas Papier SARL	France	Merchanting	Ordinary	100%
Deutsche Papier Holding GmbH	Germany	Holding	Ordinary	100%
D&D Folienservice GmbH	Germany	Merchanting	Ordinary	100%
Deutsche ADP Wilhelm GmbH	Germany	Merchanting	Ordinary	100%
Deutsche Papier Vertriebs GmbH	Germany	Merchanting	Ordinary	100%
Dinmex Handelsgesellschaft GmbH	Germany	Merchanting	Ordinary	100%
Klinger GmbH	Germany	Merchanting	Ordinary	100%
Josef Frohler Papiergrosshandlung Willi Reddeman				
Import Export GmbH	Germany	Merchanting	Ordinary	100%
Polyedra SpA	Italy	Merchanting	Ordinary	100%
Caledonia Srl	Italy	Merchanting	Ordinary	100%
MG di Agnetti Srl	Italy	Merchanting	Ordinary	100%
Mercator Papier Sp z o o	Poland	Merchanting	Ordinary	100%
Union Papelera Merchanting SL	Spain	Merchanting	Ordinary	100%
Grafiskt Papper Norden AB	Sweden	Merchanting	Ordinary	100%
Interpapier AG	Switzerland	Dormant	Ordinary	100%
Howard Smith Paper Group Ltd	UK	Merchanting	Ordinary	100%
Contract Paper Ltd	UK	Dormant	Ordinary	100%
Howard Smith Paper (Scotland) Ltd	UK	Dormant	Ordinary	100%
Howard Smith Paper Ltd	UK	Dormant	Ordinary	100%
Precision Publishing Papers Ltd	UK	Dormant	Ordinary	100%
Savory Paper Ltd	UK	Dormant	Ordinary	100%
Trade Paper Ltd	UK	Dormant	Ordinary	100%

Notes (continued)

12 Fixed asset investments (continued)

	Country of incorporation	Principal activity	Class of shares held	Holding %
<i>Subsidiary undertakings</i>				
The M6 Paper Group Ltd	UK	Merchanting	Ordinary	100%
Robert Horne UK Ltd	UK	Holding	Ordinary	100%
Robert Horne Group Ltd	UK	Merchanting	Ordinary	100%
Adhesive & Display Products Ltd	UK	Dormant	Ordinary	100%
Pinnacle Film & Board Sales Ltd	UK	Dormant	Ordinary	100%
Glenmore Lomond Paper Group Ltd	UK	Dormant	Ordinary	100%
Robert Horne Paper (Scotland) Ltd	UK	Dormant	Ordinary	100%
Robert Horne Paper Co Ltd	UK	Dormant	Ordinary	100%
Sheet & Roll Converters Ltd	UK	Dormant	Ordinary	100%
Transplastix Ltd	UK	Dormant	Ordinary	100%
W Lunn & Co Ltd	UK	Dormant	Ordinary	100%
William Cox Plastics Ltd	UK	Dormant	Ordinary	100%
Robert Horne Pension Trustees Ltd	UK	Trustee	Ordinary	100%
Cogladle Ltd	UK	Dormant	Ordinary	100%
The Paper Company Ltd	UK	Merchanting	Ordinary	100%
21 st Century Paper Ltd	UK	Dormant	Ordinary	100%
Alba Paper Ltd	UK	Dormant	Ordinary	100%
Dixon & Roe (Birmingham) Ltd	UK	Dormant	Ordinary	100%
Powell & Heibron (Paper) Ltd	UK	Dormant	Ordinary	100%
Rothera & Brereton Ltd	UK	Dormant	Ordinary	100%
Rothera & Brereton (Sheffield) Ltd	UK	Dormant	Ordinary	100%
Paramount Paper Sales Ltd	UK	Dormant	Ordinary	100%
Paramount Paper Sales (London) Ltd	UK	Dormant	Ordinary	100%
Lagan Papers Ltd	UK	Dormant	Ordinary	100%
Michael Jackson (Paper) Ltd	UK	Dormant	Ordinary	100%
Grove Paper Co Ltd	UK	Dormant	Ordinary	100%
Mason Paper (Holdings) Ltd	UK	Dormant	Ordinary	100%
The Mason's Paper Co Ltd	UK	Dormant	Ordinary	100%
Southern Paper Ltd	UK	Dormant	Ordinary	100%
Southern Paper Co (Brighton) Ltd	UK	Dormant	Ordinary	100%
Dixon & Roe Group Ltd	UK	Dormant	Ordinary	100%
Dixon & Roe (Herts) Ltd	UK	Dormant	Ordinary	100%
Dixon & Roe Ltd	UK	Dormant	Ordinary	100%
Donald Murray (Paper) Ltd	UK	Dormant	Ordinary	100%
Donald Murray Paper (Newcastle) Ltd	UK	Dormant	Ordinary	100%
Donald Murray Paper (Glasgow) Ltd	UK	Dormant	Ordinary	100%
Donald Murray Paper (Bristol) Ltd	UK	Dormant	Ordinary	100%
The Paper Company No 2 Ltd				
Hopefair Ltd	UK	Dormant	Ordinary	100%
Jarvis Paper Sales Ltd	UK	Dormant	Ordinary	100%
Reel Papers Ltd	UK	Dormant	Ordinary	100%
Somerset Paper Sales Ltd	UK	Dormant	Ordinary	100%
PaperlinX Netherlands Holding BV	Netherlands	Merchanting	Ordinary	100%
Buhrmann-Ubbens Holdings BV	Netherlands	Merchanting	Ordinary	100%
Buhrmann-Ubbens BV	Netherlands	Merchanting	Ordinary	100%
PaperlinX Shared Services BV	Netherlands	Merchanting	Ordinary	100%
PaperlinX Netherlands NV	Netherlands	Merchanting	Ordinary	100%
Driem Paper BV	Netherlands	Merchanting	Ordinary	100%
Tncom Paper International BV	Netherlands	Merchanting	Ordinary	100%
Printaco BV	Netherlands	Merchanting	Ordinary	100%
VRG Insurances BV	Netherlands	Holding	Ordinary	100%
Brabantse Poort BV	Netherlands	Merchanting	Ordinary	100%

Notes (continued)

12 Fixed asset investments (continued)

	Country of incorporation	Principal activity	Class of shares held	Holding %
<i>Subsidiary undertakings</i>				
Proost en Brandt Holdings BV	Netherlands	Holdings	Ordinary	100%
Proost en Brandt BV	Netherlands	Merchanting	Ordinary	100%
Velpa Holdings BV	Netherlands	Merchanting	Ordinary	100%
Velpa Enveloppen BV	Netherlands	Merchanting	Ordinary	100%
Bouwmaatschappij Het Wapen van Amsterdam NV	Netherlands	Merchanting	Ordinary	100%

13 Stocks

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Finished goods and goods for resale	137,879	146,444	-	-
	<u>137,879</u>	<u>146,444</u>	<u>-</u>	<u>-</u>

14 Debtors

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Trade debtors	397,889	415,542	-	-
Amounts owed by group undertakings	3,247	810	1,621	1,299
Other debtors	4,895	7,904	-	-
Prepayments and accrued income	35,184	35,875	-	-
Deferred tax assets	5,119	1,313	6,719	-
	<u>446,334</u>	<u>461,444</u>	<u>8,340</u>	<u>1,299</u>

Included within debtors is £905,612 which is due after more than one year (2004 £920,000)

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Bank loans and overdrafts	36,846	45,829	-	-
Amounts owed to group undertakings	324,810	326,492	-	-
Outstanding amounts due on business acquisitions	780	12,287	-	-
Trade creditors	191,638	201,865	-	3
Taxation and social security	13,319	14,496	-	-
Accruals and deferred income	54,650	54,652	-	-
	<u>622,043</u>	<u>655,621</u>	<u>-</u>	<u>3</u>

16 Creditors: amounts falling due after one year

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Bank loans	3,221	26,171	-	-
	<u>3,221</u>	<u>26,171</u>	<u>-</u>	<u>-</u>

17 Provisions for liabilities and charges

	Pensions and similar obligations £000	Taxation including deferred taxation £000	Other provisions £000	Total £000
Group				
At beginning of year	8,213	2,166	14,952	25,331
Business acquisitions (see note 18)	-	-	1,273	1,273
Payments during year	(420)	-	(6,140)	(6,560)
Charge/credit to the profit and loss for the year	202		244	446
Exchange variations		22	94	116
	<u>7,995</u>	<u>2,188</u>	<u>10,423</u>	<u>20,606</u>

Notes (continued)

The elements of deferred taxation are as follows

	2005 £000	2004 £000
Difference between accumulated depreciation and amortisation and capital allowances	953	(47)
Other timing differences	1,978	(806)
	<hr/>	<hr/>
Provision	2,931	(853)
	<hr/>	<hr/>
Deferred tax asset (see note 14)	5,119	1,313
Deferred tax liability	(2,188)	(2,166)
	<hr/>	<hr/>
	2,931	(853)
	<hr/>	<hr/>

Notes (continued)

18 Acquisitions

On 1 November 2003 the group acquired various companies which made up the Paper Merchants division of Buhrrmann NV. This has been accounted for using the acquisition method of accounting. During the period further fair value adjustments were made to the assets and liabilities. These are detailed below.

	Book Value	Re- valuation	Accounting policy alignment	Other Adjust- ments	Fair value June 30 2004	Current Adjust- ments	Fair value June 30 2005
	£000	£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible	11,205	-	-	-	11,205		11,205
Tangible	106,653	8,629	-	(480)	114,802		114,802
Investments	7,928	-	-	-	7,928	(1,874)	6,054
Deferred tax	-	-	338	-	338	2,800	3,138
Current assets							
Stock	129,676	-	-	(308)	129,368	(415)	128,953
Debtors	405,942	-	(3,173)	(2,545)	400,224	(4,612)	395,612
Cash	12,478	-	-	-	12,478		12,478
Total assets	<u>673,882</u>	<u>8,629</u>	<u>(2,835)</u>	<u>(3,333)</u>	<u>676,343</u>	<u>(4,101)</u>	<u>672,242</u>
Liabilities							
Provisions	27,461	-	-	306	27,767	741	28,508
Deferred tax	1,213	-	-	-	1,213		1,213
Creditors	233,414	-	-	1,374	234,788	169	234,957
Bank overdraft and borrowings	22,888	-	-	-	22,888		22,888
Other	9,246	-	-	-	9,246		9,246
Total liabilities	<u>294,222</u>	<u>-</u>	<u>-</u>	<u>1,680</u>	<u>295,902</u>	<u>910</u>	<u>296,812</u>
Net assets	<u>379,660</u>	<u>8,629</u>	<u>(2,835)</u>	<u>(5,013)</u>	<u>380,441</u>	<u>(5,011)</u>	<u>375,430</u>
Goodwill					38,913	5,011	43,924
Minority interest					(368)	-	(368)
Purchase consideration and costs of acquisition					<u>418,986</u>	<u>-</u>	<u>418,986</u>

Notes (continued)

18 Acquisitions (continued)

On 1 November 2004 the group acquired the trading assets and liabilities of F Hestbech & Co AS. This business was immediately absorbed into an existing business of the group. Because of this, the operating profit of this acquisition is not separately identifiable. The Directors believe that it is immaterial to the group's operating profit.

	Book Value £000	Fair value June 30 2005 £000
Fixed assets		
Tangible	2,155	2,155
Current assets		
Stock	1,761	1,761
Debtors	2,127	2,127
Total assets	<u>6,043</u>	<u>6,043</u>
Liabilities		
Provisions	532	532
Creditors	1,076	1,076
Total liabilities	<u>1,608</u>	<u>1,608</u>
Net assets	<u>4,435</u>	<u>4,435</u>
Goodwill		839
Purchase consideration and costs of acquisition		<u>5,274</u>

19 Called up share capital

	2005 £000	2004 £000
Authorised		
Equity 400,000,000 Ordinary shares of £1 each	400,000	400,000
	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid		
Equity 15,157,856 ordinary shares of £1 each	15,158	15,158
	<u>15,158</u>	<u>15,158</u>

Notes (continued)

20 Share premium and reserves

Group

	Share premium account	Profit and loss account
	£000	£000
At beginning of year	201,157	14,803
Retained profit for the year	-	17,840
Exchange adjustments	-	2,344
	<hr/>	<hr/>
At end of year	201,157	34,987
	<hr/>	<hr/>

Company

	Share premium account	Profit and loss account
	£000	£000
At beginning of year	201,157	1,296
Retained profit for the year	-	7,044
	<hr/>	<hr/>
At end of year	201,157	8,340
	<hr/>	<hr/>

21 Minority interests

	Group 2005 £000	2004 £000
At beginning of year	412	10
Retained profit for year	16	11
Acquisition of subsidiary undertakings (see note 18)	-	368
Foreign exchange differences	(50)	26
Dividends paid	(7)	(3)
	<hr/>	<hr/>
At end of year	371	412
	<hr/>	<hr/>
Equity	354	401
Non-equity	17	11
	<hr/>	<hr/>
	371	412
	<hr/>	<hr/>

Notes (continued)

22 Contingent liabilities

At 30 June 2005, the Company, in conjunction with various other subsidiaries of the PaperlinX Limited Group, guaranteed the following borrowing facilities of the Group

- 1 Bank Loans drawn under a **USD 850 million** facility (2004 *USD 700 million*)
- 2 USD Notes of **USD 121 million** (2004 *USD 121 million*)
- 3 CAD Notes of **CAD 70 million** (2004 *CAD 70 million*)
- 4 GBP Notes of **GBP 101.2 million** (2004 *GBP 101.2 million*)

Amounts drawn by the PaperlinX Limited Group at June 30, 2005 were as follows

- 1 Bank Loans **USD 556.4 million** (2004 *USD 588.8 million*)
- 2 USD Notes **USD 121 million** (2004 *USD 121 million*)
- 3 CAD Notes **CAD 70 million** (2004 *CAD 70 million*)
- 4 GBP Notes **GBP 101.2 million** (2004 *GBP 101.2 million*)

In addition, the Company also agreed jointly and severally as a primary obligation to indemnify the Lenders from time to time on demand from and against any loss incurred by the Lenders as a result of any default on any of the obligations of PaperlinX Limited

23 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows

	2005 Land and buildings £000	2005 Other £000	2004 Land and buildings £000	2004 Other £000
Group				
Operating leases which expire				
Within one year	1,699	3,743	1,443	1,627
In the second to fifth years inclusive	7,348	9,050	5,795	12,771
Over five years	5,601	752	5,342	212
	<u>14,648</u>	<u>13,545</u>	<u>12,580</u>	<u>14,610</u>

Notes (continued)

24 Pension scheme

Defined contribution arrangements

The group's subsidiaries participate in defined contribution pension schemes. The pension cost charge for the period represents contributions payable by these group to the scheme and amounted to £2,927,000 (2004 £2,905,000)

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

Defined benefit arrangements

Certain of the group's subsidiaries operate or participate in defined benefit pension schemes. Contributions to these schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company in accordance with the requirements of statement of Standard Accounting Practice 24 'Accounting for Pension costs'. Details of the principal schemes are set out below

a) Robert Horne Group Pension Scheme

SSAP 24 Disclosures

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The total net pension cost of the company's scheme for the period was £2,029,000 (2004 £1,636,000). The contributions are determined by an independent qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation was at 31 December 2004. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The principal assumptions adopted in the valuation were: pre-retirement investment return of 7.5% per annum and the post-retirement investment return would be 5.1% per annum, and that salary increases would average 4.0% per annum and that pensions in the course of payment would increase at 2.5% per annum in accordance with the rules.

The most recent actuarial valuation showed that the market value of the scheme's assets was £62,200,000 at 31 December 2004 and that the actuarial value of those assets represented 89% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The deficit will be eliminated by increasing employee pension contributions and restricting the level of certain benefits payable.

There was a provision of £1,748,000 in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme, of which £76,000 was charged in respect of the period.

FRS 17 disclosures

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The balance sheet disclosures as at 30 June 2005 were based on a full valuation at 31 December 2004 updated to 30 June 2005 by a qualified actuary.

The major assumptions used by the actuary in this valuation were:

	At period ended 30/06/2005	At period ended 31/12/2004
Rate of increase in salaries	3.70%	4.50%
Rate of increase in pensions in payment (pre April 1997)	3.00%	3.00%
Rate of increase in pensions in payment (April 1997 – March 2003)	3.25%	3.25%
Rate of increase in pensions in payment (post March 2003)	2.60%	3.00%
Rate of increase of deferred pensions	2.70%	3.00%
Discount rate	5.00%	5.85%
Inflation assumption	2.70%	3.00%

Notes (continued)

24 Pension scheme (continued)

a) Robert Horne Group Pension Scheme (continued)

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. As no assessment was done on date of acquisition, assumptions at 30 June 2004 are disclosed at the last actuary valuation date, 31 December 2002.

The contributions during the accounting period amounted to £1,953,000 and the agreed Company contribution rate for the coming year is 10.6% of pensionable payroll.

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

	Expected long term rate of return at 30/06/2005	Value at 30/06/2005	Expected long term rate of return at 30/06/2004	Value at 30/06/2004
	%	£000	%	£000
Equities	8.00%	44,504	8.50%	38,668
Bonds	5.00%	17,592	5.50%	14,286
Other	7.50%	2,742	8.50%	1,528
		<hr/>		<hr/>
		64,838		54,482
Present value of scheme liabilities		(93,206)		(71,418)
		<hr/>		<hr/>
Deficit in the scheme		(28,368)		(16,936)
Related deferred tax asset		8,510		5,081
		<hr/>		<hr/>
Net pension liability		(19,858)		(11,855)
		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves.

Notes (continued)

24 Pension scheme (continued)

b) Howard Smith Paper Group Scheme

SSAP 24 disclosures

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The total net pension cost of the company's scheme for the period was £999,000 (2004 £659,000). The contributions are determined by an independent qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation was at 31 March 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The principal assumptions adopted in the valuation were: pre-retirement investment return of 7.0% per annum and the post-retirement investment return would be 5.5% per annum, and that pensions in the course of payment would increase at 2.75% per annum in accordance with the rules.

The most recent actuarial valuation showed that the market value of the scheme's assets was £14,275,000 at 31 March 2004 and that the actuarial value of those assets represented 88% of the benefits that had accrued to members, after allowing for expected future increases in earnings. From 1 April 2005 the contributions of the company increased to 14.25%, and the contributions of the employees aged over 30 increased to 8.75%. An amount of £Nil is included in provisions which represents the excess of the accumulated pension cost over the payment of contributions to the pensions fund.

FRS 17 disclosures

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The balance sheet disclosures as at 30 June 2005 were based on a full valuation at 31 March 2004 updated to 30 June 2005 by a qualified actuary.

The major assumptions used by the actuary in this valuation were:

	At period ended 30/06/2005	At period ended 30/06/2004
Rate of increase in salaries	3.65%	4.00%
Rate of increase in pensions in payment (pre April 1997)	0.00%	0.00%
Rate of increase in pensions in payment (post April 1997)	2.40%	2.75%
Discount rate	5.00%	5.75%
Inflation assumption	2.65%	3.00%

The pension contributions during the accounting period amounted to £999,000 and the agreed Company contribution rate for the coming year is 14.25% of pensionable payroll.

Notes (continued)

24 Pension scheme (continued)

b) Howard Smith Paper Group Pension Scheme (continued)

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

	Expected long term rate of return at 30/06/2005	Value at 30/06/2005	Expected long term rate of return at 30/06/2004	Value at 30/06/2004
	%	£000	%	£000
Equities	6.50%	15,638	6.50%	12,127
Bonds	4.20%	994	5.00%	999
Cash	5.00%	735	5.00%	674
Insurance policies	5.00%	-	5.75%	500
Insured pensioners	5.00%	371	5.75%	384
		<hr/>		<hr/>
		17,738		14,684
Present value of scheme liabilities		(23,097)		(18,106)
		<hr/>		<hr/>
Deficit in the scheme		(5,359)		(3,422)
Related deferred tax asset		1,608		1,027
		<hr/>		<hr/>
Net pension liability		(3,751)		(2,395)
		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves

Notes (continued)

24 Pension scheme (continued)

c) Stichting Pensioenfonds Buhrmann Scheme

SSAP24 Disclosures

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The total net pension cost of the company's scheme for the period was £2,105,000 (2004 £1,059,000). The contributions are determined by an independent qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation was at 30 June 2005. Prior to the acquisition of the companies contributing to this scheme, there had been no requirement under Dutch GAAP to have this scheme actuarially valued. The valuation has been rolled backward in order to assess the liabilities of the scheme at 30 June 2004. Scheme assets are stated at their market value at 30 June 2004.

At 30 June, 2005, the market value of the scheme's assets was £40,571,000 and the actuarial value of those assets represented 91% of the benefits that had accrued to members, after allowing for expected future increases in earnings. An amount of £Nil is included in provisions which represent the excess of the accumulated pension cost over the payment of contributions to the pension fund.

FRS 17 disclosures

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The balance sheet disclosures as at 30 June 2004 were based on a full valuation at 31 December 2001 updated to 30 June 2004 by a qualified actuary.

The major assumptions used by the actuary in this valuation were:

	At period ended 30/06/2005	At period ended 30/06/2004
Rate of increase in salaries	2 - 4.00%	2 - 4.00%
Rate of increase in pensions in payment	0.00%	0.75%
Discount rate	4.00%	5.25%
Inflation assumption	2.00%	2.00%

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.

The contributions during the accounting period amounted to £2,105,000 and the agreed Company contribution rate for the coming year is 13.5% of pensionable payroll.

Notes (continued)

24 Pension scheme (continued)

c) Stichting Pensioenfonds Buhrmann Scheme (continued)

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

	Expected long term rate of return at 30/06/2005	Value at 30/06/2005	Expected long term rate of return at 30/06/2004	Value at 30/06/2004
	%	£000	%	£000
Bonds	4.00%	40,571	3.90%	36,449
		<u>40,571</u>		<u>36,449</u>
Present value of scheme liabilities		(44,754)		(35,839)
		<u>(4,183)</u>		<u>610</u>
Surplus in the scheme		1,255		(183)
		<u>1,255</u>		<u>(183)</u>
Related deferred tax liability				
		<u>(2,928)</u>		<u>427</u>
Net pension (liability) / asset				

The amount of this net pension asset would have a consequential effect on reserves

Notes (continued)

24 Pension scheme (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30 June 2005 would be as follows

Movement in surplus/deficit during the year

	30/06/2005 £000	30/06/2004 £000
Deficit in schemes at the beginning of the period	(19,748)	-
Estimated deficit in schemes at acquisition date (1 November 2003)	-	(20,059)
Current service cost	(5,640)	(3,643)
Contributions paid	5,057	3,107
Other finance income/cost	(191)	(827)
Actuarial (loss) / gain	(17,500)	1,688
Foreign exchange differences	112	(14)
Deficit in the scheme at end of year	<u>(37,910)</u>	<u>(19,748)</u>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been

Analysis of other pension costs charged in arriving at operating profit

	2005 £000	2004 £000
Current service cost	5,640	3,643
Previously unrecognised surplus deducted from past service cost	-	-
	<u>5,640</u>	<u>3,643</u>

Analysis of amounts included in other finance income/costs

	2005 £000	2004 £000
Expected return on pension scheme assets	7,009	3,340
Interest on pension scheme liabilities	(7,200)	(4,167)
	<u>(191)</u>	<u>(827)</u>

Notes (continued)

24 Pension scheme (continued)

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	6,699	2,588
Experience gains and losses on schemes liabilities	(2,393)	-
Changes in assumptions underlying the present value of scheme liabilities	(21,806)	(900)
	<hr/>	<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses	(17,500)	1,688
	<hr/>	<hr/>

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30 June 2005 would be as follows

	Year ended 30/06/2005 £000	Year ended 30/06/2004 £000
Balance sheet presentation		
Net assets excluding pension liability	251,673	231,530
Net pension (liability) – Robert Horne Group	(19,858)	(11,855)
Net pension (liability) – Howard Smith Paper Group	(3,751)	(2,395)
Net pension (liability)/asset – Stichting Pensioenfonds Buhrmann	(2,928)	427
	<hr/>	<hr/>
Net assets including pension liability	225,136	217,707
	<hr/>	<hr/>
Reserve note		
Profit and loss reserve excluding pension liability	34,987	14,803
Net pension liability – Robert Horne Group	(19,858)	(11,855)
Net pension liability – Howard Smith Paper Group	(3,751)	(2,395)
Net pension asset – Stichting Pensioenfonds Buhrmann	(2,928)	427
	<hr/>	<hr/>
Profit and loss reserve including pension liability	8,450	980
	<hr/>	<hr/>

Notes (continued)

24 Pension scheme (continued)

History of experience gains and losses

	2005 (12 months)	2004 (8 months)
(a) Robert Horne Group Pension Scheme		
Difference between the expected and actual return on scheme assets		
Amount (£000)	4,890	1,832
Percentage of scheme assets	7.5%	3.4%
Experience gains and losses on scheme liabilities		
Amount (£000)	2,749	-
Percentage of scheme assets	2.9%	0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£000)	(11,398)	337
Percentage of scheme assets	(17.6%)	0.5%
(b) Howard Smith Paper Group Pension Scheme		
Difference between the expected and actual return on scheme assets		
Amount (£000)	895	756
Percentage of scheme assets	5.0%	5.1%
Experience gains and losses on scheme liabilities		
Amount (£000)	34	-
Percentage of scheme assets	0.1%	0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£000)	(1,840)	246
Percentage of scheme assets	(10.4%)	1.7%
(c) Stichting Pensioenfonds Buhrmann Scheme		
Difference between the expected and actual return on scheme assets		
Amount (£000)	914	-
Percentage of scheme assets	2.3%	0%
Experience gains and losses on scheme liabilities		
Amount (£000)	(5,176)	-
Percentage of scheme assets	(11.6%)	0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£000)	(4,262)	1,105
Percentage of scheme assets	(10.5%)	3.0%

Notes (continued)

25 Post Balance Sheet events

There have been no significant events since 30 June 2005

26 Related party disclosures

The company is a wholly owned subsidiary of PaperlinX Limited. In accordance with paragraph 3(c) of FRS 8 "Related party transactions" the company is exempt from disclosing details of transactions or balances with other companies in the PaperlinX group

27 Ultimate parent company and parent undertaking of larger group

The Company's immediate holding company is Paper Associates Pty Limited, a company registered and incorporated in Australia

The Company's ultimate holding company is PaperlinX Limited, a company registered and incorporated in Australia

PaperlinX Limited is the smallest and largest group of higher undertakings within which the results of the Company and its Group are consolidated

The consolidated accounts of PaperlinX Limited may be obtained from 307 Ferntree Gully Road, Mount Waverley, Melbourne, Victoria 3149, Australia