
PAPERLINX (EUROPE) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012



PAPERLINX (EUROPE) LTD

COMPANY INFORMATION

DIRECTORS

DS Allen
PB Carr
RJ Heald (appointed 1 November 2011)
LM Gordon (appointed 1 November 2011 & resigned 8 February 2013)
S P King (appointed 5 February 2013)

COMPANY SECRETARY

C Sigley

COMPANY NUMBER

04427116

REGISTERED OFFICE

Huntsman House, Mansion Close, Moulton Park
Northampton
NN3 6LA

PAPERLINX (EUROPE) LTD

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The following pages do not form part of the statutory financial statements

PAPERLINX (EUROPE) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

The directors present their report together with a set of audited accounts of the Company financial statements for the year ended 30 June 2012

PRINCIPAL ACTIVITIES

The principal activity of the Company is the holding of European investments on behalf of the PaperlinX Limited Group and it therefore derives income from its investments of subsidiary undertakings

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £24.8 million (2011 - loss £58.7 million)

Interim dividends of £nil were paid during the year (2011 £nil) and the directors do not recommend the payment of a final dividend

DIRECTORS

The directors who served during the year were

DS Allen

PB Carr

RJ Heald (appointed 1 November 2011)

LM Gordon (appointed 1 November 2011 & resigned 8 February 2013)

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no charitable donations and there were no contributions to political parties in the period

PROVISION OF INFORMATION TO AUDITORS

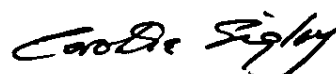
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are 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's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, KPMG, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 12 March 2013 and signed on its behalf



C Sigley
Company Secretary

Huntsman House, Mansion Close, Moulton Park
Northampton
NN3 6LA

PAPERLINX (EUROPE) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- 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.

PAPERLINX (EUROPE) LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PAPERLINX (EUROPE) LTD

We have audited the financial statements of PaperlinX (Europe) Ltd for the year ended 30 June 2012, set out on pages 4 to 13. 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 Auditors' 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

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Tim Widdas (Senior statutory auditor)

for and on behalf of
KPMG LLP

St Nicholas House
Park Row
Nottingham
NG1 6FQ

12 March 2013

PAPERLINX (EUROPE) LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 £000	2011 £000
Operating profit/(loss)	2	<u>1,214</u>	<u>(210)</u>
Income from shares in group undertakings		5,400	5,400
Interest receivable and similar income	4	2,331	1,411
Interest payable and similar charges	5	(14,113)	(26,396)
Impairment of investments		<u>(19,800)</u>	<u>(39,000)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(24,968)	(58,795)
Tax on loss on ordinary activities	6	<u>98</u>	<u>67</u>
LOSS FOR THE FINANCIAL YEAR	12	<u>(24,870)</u>	<u>(58,728)</u>

All amounts relate to continuing operations

There are no recognised gains or losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 6 to 13 form part of these financial statements

PAPERLINX (EUROPE) LTD
REGISTERED NUMBER 04427116

BALANCE SHEET
AS AT 30 JUNE 2012

	Note	£000	2012 £000	2011 £000
FIXED ASSETS				
Investments	7		189,054	208,854
CURRENT ASSETS				
Debtors	8	82,532		56,417
Cash at bank		5,841		4
		<u>88,373</u>		<u>56,421</u>
CREDITORS: amounts falling due within one year	9	<u>(77,132)</u>		<u>(810)</u>
NET CURRENT ASSETS			<u>11,241</u>	<u>55,611</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>200,295</u>	<u>264,465</u>
CREDITORS: amounts falling due after more than one year	10		<u>-</u>	<u>(180,547)</u>
NET ASSETS			<u><u>200,295</u></u>	<u><u>83,918</u></u>
CAPITAL AND RESERVES				
Called up share capital	11		29,283	15,158
Share premium account	12		260,559	133,437
Profit and loss account	12		<u>(89,547)</u>	<u>(64,677)</u>
SHAREHOLDERS' FUNDS	13		<u><u>200,295</u></u>	<u><u>83,918</u></u>

The financial statements were approved by the Board of Directors on 12 March 2013 and signed on its behalf by



RJ Heald
Director

PAPERLINX (EUROPE) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

1.1 Basis of preparation of financial statements

The Company's financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting convention

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. The consolidated financial statements of PaperlinX Limited within which this company is included, can be obtained from the address given in note 15.

Under Financial Reporting Standard 1 "Cash Flow Statements", the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the Company in its own published consolidated financial statements. As the Company is a wholly owned subsidiary of PaperlinX Limited (a company registered and incorporated in Australia), the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures", and has therefore not disclosed transactions or balances with entities which form part of the Group.

As the Company is a wholly owned subsidiary of PaperlinX Limited (a company registered and incorporated in Australia), the Company has taken advantage of exemptions not to apply Financial Reporting Standard 25 "Financial Instruments Presentation" and Financial Reporting Standard 29 "Financial Instruments Disclosures".

The accounts have been prepared on a going concern basis which contemplates the continuity of normal business operations, realisation of assets and settlement of liabilities in the ordinary course of business.

The Company partakes in a receivables securitisation programme with ING Bank NV (ING) implemented in March 2010 by fellow group company PaperlinX Netherlands BV. This financing arrangement was renegotiated post 30 June 2012 and an amended agreement was executed on 20 February 2013. The amended agreement has an expiry date of September 2014 and includes covenants related to trading performance (tested on a quarterly, non-cumulative basis) and other restrictions and obligations including requirements for credit insurance.

The availability of funding to the Company is dependent in part on it and its fellow participants in the securitisation programme meeting their forecast trading results, the successful execution of restructuring initiatives to reduce operating costs and the implementation of strategies to improve working capital management.

The forecast trading results are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of the Company. The forecasts, taking into account reasonable possible changes in trading performance, show that the securitisation programme should provide sufficient funding to enable the Company to operate.

PAPERLINX (EUROPE) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING POLICIES (continued)

Basis continued

Based on the foregoing, the Directors have a reasonable expectation that the Company will have adequate resources to continue to operate and meet its obligations as and when they fall due for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these financial statements.

1.2 Classification of financial instruments issued by the company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

1.3 Dividends on shares presented within shareholders funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.4 Taxation

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

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

PAPERLINX (EUROPE) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 ACCOUNTING POLICIES (continued)

1.5 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 gains and losses on translation are included in the profit and loss account.

1.6 Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Derivative financial instruments are subsequently re-measured to their fair value with the resultant gain or loss being recognised in profit or loss. However, where derivatives qualify for hedge accounting, the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity. The cumulative gain or loss is removed from equity and recognised in the profit and loss account at the same time as the hedged item or transaction.

1.7 Investments

The Company's investments in subsidiary undertakings are shown at cost less provision for any permanent diminution in value.

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current value assessments of the rate of return expected on an equally

risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income generating unit to which the asset belongs.

PAPERLINX (EUROPE) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

2. OPERATING PROFIT/(LOSS)

No individuals were employed by the Company during either year. The directors received no remuneration for their services to the Company in the year (2011: £nil). The present directors are employed by, and receive remuneration for services from, a wholly owned subsidiary of the ultimate parent company.

The auditors' fee of £7,000 (2011: £7,000) in respect of the audit of these financial statements is borne by a wholly owned subsidiary of the ultimate parent company.

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2012	2011
	£000	£000
Dividend income from group undertakings	5,400	5,400

4. INTEREST RECEIVABLE

	2012	2011
	£000	£000
Interest receivable from group companies	2,328	1,407
Other interest receivable	3	4
	2,331	1,411

5. INTEREST PAYABLE

	2012	2011
	£000	£000
Interest Payable to group companies	14,111	26,396
Other interest payable	2	-
	14,113	26,396

PAPERLINX (EUROPE) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

6 TAXATION

	2012 £000	2011 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax credit on loss for the year	(306)	(2,132)
Adjustments in respect of prior periods	87	2,968
	<u>(219)</u>	<u>836</u>
Withholding tax not recovered	41	141
	<u>(178)</u>	<u>977</u>
Total current tax		
Deferred tax		
Deferred tax prior years	80	(1,044)
	<u>(98)</u>	<u>(67)</u>
Tax on loss on ordinary activities		

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - *higher than*) the standard rate of corporation tax in the UK of 25.5% (2011 - 27.5%). The differences are explained below

	2012 £000	2011 £000
Loss on ordinary activities before tax	<u>(24,968)</u>	<u>(58,795)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.5% (2011 - 27.5%)	(6,367)	(16,169)
Effects of:		
Expenses not deductible for tax purposes	7,518	10,726
Utilisation of tax losses	(80)	-
Adjustments to tax charge in respect of prior periods	87	2,968
Non-taxable income	(1,377)	(1,485)
Unrelieved tax losses carried forward	-	4,796
Withholding tax	41	141
	<u>(178)</u>	<u>977</u>
Current tax (credit)/charge for the year (see note above)		

Factors that may affect future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future tax charge accordingly.

PAPERLINX (EUROPE) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Deferred Taxation

There is a provision for deferred taxation of £964,000 (2011 £1,044,000) relating to tax losses as shown in note 8. There is an unrecognised deferred tax asset of £4,185,000 (2011 £4,534,000) in relation to losses incurred in the year.

7. INVESTMENTS

	2012 £000	2011 £000
Cost and net book value at the beginning of the year	208,854	247,854
Impairment of investments	(19,800)	(39,000)
	<u>189,054</u>	<u>208,854</u>

The Company owns all of the ordinary shares of PaperlinX Investments (Europe) Limited, PaperlinX Services (Europe) Limited and PaperlinX Brands (Europe) Limited. In the opinion of the Directors, the value of the Company's investments in group undertakings is not less than the amount at which it is stated in the balance sheet.

An impairment charge of £19.8m (2011 £39.8m) has been recorded to reduce the carrying value of investments to the directors' assessment of fair value.

8. DEBTORS

	2012 £000	2011 £000
Amounts owed by group undertakings	81,544	33,120
Other debtors	-	20,094
Group relief	-	2,132
Other tax and social security	24	27
Deferred tax asset	964	1,044
	<u>82,532</u>	<u>56,417</u>

9. CREDITORS
Amounts falling due within one year

	2012 £000	2011 £000
External loans	72,665	-
Amounts owed to group undertakings	4,244	810
Corporation tax	60	-
Other creditors	163	-
	<u>77,132</u>	<u>810</u>

PAPERLINX (EUROPE) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

9. CREDITORS:
Amounts falling due within one year (continued)

10. CREDITORS:
Amounts falling due after more than one year

	2012 £000	2011 £000
Amounts owed to group undertakings	-	180,547

11. SHARE CAPITAL

	2012 £000	2011 £000
Balance at the beginning of the year 15,157,856 ordinary shares of £1 each, allotted, called up and fully paid	15,158	15,158
Shares issued in the year 14,124,668 ordinary shares of £1 each, allotted, called up and fully paid	14,125	-
	<u>29,283</u>	<u>15,158</u>

12. RESERVES

	Share premium account £000	Profit and loss account £000
At 1 July 2011	133,437	(64,677)
Loss for the year	-	(24,870)
Premium on shares issued during the year	127,122	-
	<u>260,559</u>	<u>(89,547)</u>
At 30 June 2012		

PAPERLINX (EUROPE) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Opening shareholders' funds	83,918	142,646
Loss for the year	(24,870)	(58,728)
Shares issued during the year	14,125	-
Share premium on shares issued	127,122	-
	<hr/>	<hr/>
Closing shareholders' funds	200,295	83,918
	<hr/>	<hr/>

14. RELATED PARTY TRANSACTIONS

During the year, the company made transactions with other companies connected with the ultimate parent undertaking. In accordance with FRS 8 the company is exempt from disclosing these transactions in details they are disclosed within the financial statements of the parent undertaking.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's ultimate holding company and largest group in which the results of the company are consolidated is PaperlinX Limited, a company registered and incorporated in Australia. The consolidated financial statements of PaperlinX Limited can be obtained from the Company Secretary, PaperlinX Limited, 7 Dalmore Drive, Scoresby, Victoria 3179, Australia.