

PaperlinX (Europe) Limited

Directors' report and financial
statements

Registered number 04427116

30 June 2011

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Directors' report

The Directors present their report, together with a set of audited accounts of the Company, for the year ended 30 June 2011

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 in subsidiary undertakings

Results and dividends

The loss for the financial year is £58,727,603 (2010 loss £1,239,000) Interim dividends of £nil were paid during the year (2010 £nil) and the directors do not recommend the payment of a final dividend (2010 £nil)

Directors

The directors who served during the period and after the balance sheet date were as follows

DS Allen
PB Carr

Charitable and political contributions

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

Disclosure of information to auditors

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

Auditors

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

By order of the Board



PB Carr
Director

Huntsman House
Mansion Close
Moulton Park
Northampton NN3 6LA

Dated *22-12-11*

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

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



Independent auditors' report to the members of PaperlinX (Europe) Limited

We have audited the financial statements of PaperlinX (Europe) Limited for the year ended 30 June 2011 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 set out on page 2, 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 (APB'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 APB's web-site 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

TM Widdas (Senior Statutory Auditor)

for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated 3-1-12

Profit and loss account
for the year ended 30 June 2011

	<i>Note</i>	2011 £000	2010 £000
Operating loss	2	(210)	(61)
Impairment of investments	7	(39,000)	-
Income from shares in group undertakings	3	5,400	5 025
Interest receivable and similar income	4	1,411	759
Interest payable and similar charges	5	(26,396)	(10 452)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(58,795)	(4 729)
Fax on loss on ordinary activities	6	67	3 490
		<hr/>	<hr/>
Loss for the financial year		(58,728)	(1 239)
		<hr/> <hr/>	<hr/> <hr/>

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical basis. All results arose from continuing operations. There are no recognised gains or losses other than above.

Balance sheet
as at 30 June 2011

	<i>Note</i>	2011 £000	2010 £000
Fixed assets			
Investments	7	208,854	247 854
Current assets			
Debtors	8	56,417	54,358
Cash at bank and in hand		4	3
		<u>56,421</u>	<u>54,361</u>
Creditors amounts falling due within one year	9	(810)	(3,816)
Net current assets		<u>55,611</u>	50 545
Total assets less current liabilities		<u>264,465</u>	298 399
Creditors amounts falling due after more than one year	10	(180,547)	(155 753)
Net assets		<u><u>83,918</u></u>	<u><u>142 646</u></u>
Capital and reserves			
Called up share capital	11	15,158	15 158
Share premium reserve	12	133,437	133 437
Profit and loss account	12	(64,677)	(5 949)
Shareholders' funds		<u><u>83,918</u></u>	<u><u>142 646</u></u>

These financial statements were approved by the Board of Directors on 29-12-11 and signed on its behalf by



P B Carr
 Director

Registered number 04427116

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2011

	2011 £000	2010 £000
Loss for the year	(58,728)	(1 239)
Net movement in shareholders' funds	<u>(58,728)</u>	<u>(1 239)</u>
Opening shareholders' funds	<u>142,646</u>	<u>143 885</u>
Closing shareholders' funds	<u>83,918</u>	<u>142 646</u>

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 financial statements

Basis of preparation

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

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 13.

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 the going concern basis. The company has access to European asset backed facilities which provide the company with its day to day working capital requirements. The existence of these facilities together with cash flow forecasts that have been prepared by the directors provide a reasonable expectation that the Company has sufficient funds to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

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

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

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 Tax"

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

Derivative financial investments

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

2 Operating 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 (2010: £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 £6,931 (2010: £3,851) 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

	2011	2010
	£000	£000
Dividend income from group undertakings	<u>5,400</u>	<u>5,025</u>

Notes *(continued)*

4 Interest receivable and similar income

	2011 £000	2010 £000
Receivable from group undertakings	1,407	728
Other interest receivable	4	31
	1,411	759
	1,411	759

5 Interest payable and similar charges

	2011 £000	2010 £000
Payable to group undertakings	26,396	10 452
	26,396	10 452
	26,396	10 452

6 Tax on loss on ordinary activities

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(2,132)	2 822
Adjustment in respect of prior periods	2,968	668
Withholding tax not recovered	141	-
	977	3 490
Total current tax charge	977	3 490
Deferred tax prior years	(1,044)	-
	(67)	3 490
Tax on loss on ordinary activities	(67)	3 490

Factors affecting the tax charge for the current period

The current tax credit for the year is lower (2010 higher) than the standard rate of corporation tax in the UK of 27.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(58,795)	(4 729)
	(58,795)	(4 729)
Expected current tax credit	(16,168)	(1 324)
<i>Effects of</i>		
Expenses not deductible	10,725	-
Income not taxable (income from shares in group undertakings)	(1,485)	(1 407)
Prior year adjustments	2,968	(668)
Withholding tax	141	-
Losses carried forward	4,796	(91)
	977	(3 490)
Total current tax	977	(3 490)

Notes (continued)

6 Tax on loss on ordinary activities (continued)

Factors that may affect future tax charges

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 and a further reduction to 25% with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively. This will reduce the company's future tax charge accordingly.

Deferred taxation

There is a provision for deferred taxation of £1,044,000 (2010 £nil) relating to losses brought forward. There is an unrecognised deferred tax asset of £4,534,000 (2010 £1,044,000) in relation to losses incurred in the year.

7 Investment

	2011 £000	2010 £000
<i>Cost and net book value</i>		
At beginning of year	247,854	242,854
Additions	-	5,000
Impairment of investments	(39,000)	-
	208,854	247,854
At end of year	208,854	247,854

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.

8 Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	33,120	37,842
Other debtors	20,094	7,794
Deferred tax asset	1,044	-
Group relief	2,132	8,722
Other tax and social security	27	-
	56,417	54,358
	56,417	54,358

9 Creditors' amounts falling due within one year

	2011 £000	2010 £000
Amounts owed to group undertakings	810	3,816
	810	3,816

10 Creditors' amounts falling due after more than one year

	2011 £000	2010 £000
Amounts owed to group undertakings	180,547	155,753
	180,547	155,753

Notes (continued)

11 Share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
15,157,856 ordinary shares of £1 each	15,158	15 158
	<u> </u>	<u> </u>

12 Reserves

	Share premium £000	Profit and loss account £000
Balance at beginning of year	133,437	(5 949)
Loss for the year	-	(58 728)
	<u> </u>	<u> </u>
Balance at end of year	<u>133,437</u>	<u>(64,677)</u>

13 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 detail as they are disclosed within the financial statements of the ultimate parent undertaking.

14 Ultimate holding company

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.