
PAPERLINX SERVICES (EUROPE) LTD

Directors' report and financial statements

for the year ended June 30, 2012

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PAPERLINX SERVICES (EUROPE) LTD

Company Information

DIRECTORS	D S Allen P B Carr B J Ball S P King (appointed February 5, 2013)
COMPANY SECRETARY	C Sigley
COMPANY NUMBER	4707150
REGISTERED OFFICE	Huntsman House, Mansion Close Moulton Park Northampton Northamptonshire NN3 6LA

PAPERLINUX SERVICES (EUROPE) LTD

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PAPERLINX SERVICES (EUROPE) LTD

Directors' report for the year ended June 30, 2012

The directors present their report and the financial statements for the year ended June 30, 2012

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of warehousing and distribution services to the PaperlinX Group's merchanting businesses in the UK

BUSINESS REVIEW

Paperlinx Services (Europe) Ltd through its activity as The Delivery Company continues to seek out synergies and efficiency within its logistics and delivery service on behalf of the Paperlinx group. It strives to offer a cost effective and reliable delivery service to back up the Sales functions of Paperlinx UK. Through a dedicated team of logistics and management staff, it continues to place cost control and excellence of service at the forefront of its core strategy.

The Delivery Company built on the previous year by growing its third party revenue and is now providing a full delivery service for Cambridge University Press in addition to the existing arrangement with Fedrigoni. The company looks to actively seek out further opportunities in future periods to add to this growing revenue stream.

RESULTS

The loss for the year, after taxation, amounted to £1,687,736 (2011 - loss £5,856,785)

DIRECTORS

The directors who served during the year were

D S Allen
P B Carr
B J Ball

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no charitable donations and incurred no political expenditure of any kind during the year (2011 £ nil)

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

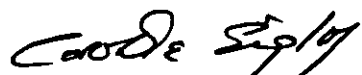
AUDITORS

Under section 487 of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors

PAPERLINX SERVICES (EUROPE) LTD

**Directors' report
for the year ended June 30, 2012**

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



C Sigley
Company secretary

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

PAPERLINX SERVICES (EUROPE) LTD

**Directors' responsibilities statement
for the year ended June 30, 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PAPERLINX SERVICES (EUROPE) LTD

Independent auditors' report to the shareholders of PaperlinX Services (Europe) Ltd

We have audited the financial statements of PaperlinX Services (Europe) Ltd for the year ended June 30, 2012, set out on pages 6 to 17. 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 June 30, 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.

PAPERLINX SERVICES (EUROPE) LTD

Independent auditors' report to the shareholders of PaperlinX Services (Europe) Ltd

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

March 12, 2013

PAPERLINX SERVICES (EUROPE) LTD

**Profit and loss account
for the year ended June 30, 2012**

	Note	2012 £	2011 £
TURNOVER	1	41,990,685	43,470,917
Cost of sales		<u>(41,704,445)</u>	<u>(43,343,614)</u>
GROSS PROFIT		286,240	127,303
Administrative expenses		<u>(1,657,737)</u>	<u>(1,399,715)</u>
OPERATING LOSS	2	(1,371,497)	(1,272,412)
Restructuring costs	5	<u>(500,400)</u>	<u>(3,645,400)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(1,871,897)	(4,917,812)
Interest receivable and similar income		-	196
Interest payable and similar charges		-	(142)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,871,897)	(4,917,758)
Tax on loss on ordinary activities	6	<u>184,161</u>	<u>(939,027)</u>
LOSS FOR THE FINANCIAL YEAR	13	<u>(1,687,736)</u>	<u>(5,856,785)</u>

All amounts relate to continuing operations

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


The notes on pages 8 to 17 form part of these financial statements

PAPERLINX SERVICES (EUROPE) LTD
Registered number: 4707150

**Balance sheet
as at June 30, 2012**

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Intangible assets	7		224,315		281,946
Tangible assets	8		1,101,464		991,881
			<u>1,325,779</u>		<u>1,273,827</u>
CURRENT ASSETS					
Debtors	9	19,680,613		22,913,702	
Cash at bank		26,576		128,480	
		<u>19,707,189</u>		<u>23,042,182</u>	
CREDITORS. amounts falling due within one year	10		<u>(4,538,189)</u>		<u>(4,724,267)</u>
NET CURRENT ASSETS			<u>15,169,000</u>		<u>18,317,915</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,494,779</u>		<u>19,591,742</u>
PROVISIONS FOR LIABILITIES					
Other provisions	11		<u>(1,140,773)</u>		<u>(2,550,000)</u>
NET ASSETS			<u>15,354,006</u>		<u>17,041,742</u>
CAPITAL AND RESERVES					
Called up share capital	12		25,000,000		25,000,000
Profit and loss account	13		<u>(9,645,994)</u>		<u>(7,958,258)</u>
SHAREHOLDERS' FUNDS	14		<u>15,354,006</u>		<u>17,041,742</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on March 12, 2013



B J Ball
Director

The notes on pages 8 to 17 form part of these financial statements

PAPERLINX SERVICES (EUROPE) LTD

**Notes to the financial statements
for the year ended June 30, 2012**

1. ACCOUNTING POLICIES

1.1 Accounting policies

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

PAPERLINX SERVICES (EUROPE) LTD

Notes to the financial statements for the year ended June 30, 2012

1. ACCOUNTING POLICIES (continued)

1.2 Basis of preparation

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.

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 is dependent for its ongoing funding on its intermediate parent company PaperlinX (Europe) Limited ('PEL').

PEL's funding is reliant on 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 PEL 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 PEL. The forecasts, taking into account reasonable possible changes in trading performance, show that the securitisation programme should provide sufficient funding.

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.

PAPERLINX SERVICES (EUROPE) LTD

Notes to the financial statements for the year ended June 30, 2012

1. ACCOUNTING POLICIES (continued)

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. All turnover arose within the UK.

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 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.

1.6 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.

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Notes to the financial statements
for the year ended June 30, 2012

1. ACCOUNTING POLICIES (continued)

1.7 Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. OPERATING LOSS

The operating loss is stated after charging

	2012	2011
	£	£
Amortisation - intangible fixed assets	545	544
Depreciation of tangible fixed assets		
- owned by the company	290,510	256,543
Operating lease rentals		
- plant and machinery	3,499,563	4,202,952
- other operating leases	4,225,146	4,857,305
Amortisation of deferred research and development expenditure	123,336	144,853
	<u> </u>	<u> </u>

Operating lease costs are reported as being inclusive of recharges from other PaperlinX group companies for which they hold the lease commitment.

The auditor's fee of £3,466 (2011 £3,466) in respect of this Company is borne by another group undertaking.

PAPERLINX SERVICES (EUROPE) LTD

Notes to the financial statements
for the year ended June 30, 2012

3. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	12,697,820	12,992,799
Social security costs	1,261,945	1,298,150
Other pension costs	850,948	922,569
	<u>14,810,713</u>	<u>15,213,518</u>

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

	2012 No.	2011 No
	<u>482</u>	<u>528</u>

4. DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments	<u>139,961</u>	<u>128,204</u>
Company pension contributions to defined contribution pension schemes	<u>24,586</u>	<u>21,986</u>

During the year retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

The highest paid director received remuneration of £139,961 (2011 - £128,204)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £24,586 (2011 - £21,986)

5. RESTRUCTURING COSTS

	2012 £	2011 £
Property exits and consolidations	500,400	1,602,000
Redundancy costs	-	2,043,400
	<u>500,400</u>	<u>3,645,400</u>

Paperlinx Services (Europe) Ltd has been running an ongoing rationalisation program which seeks to best align its logistics capability with the needs of the PaperlinX UK group. As a consequence of this a number of properties have been and will be vacated with the operations being handled from other Paperlinx Services (Europe) Ltd sites

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PHYSICS DEPARTMENT

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PAPERLINX SERVICES (EUROPE) LTD

**Notes to the financial statements
for the year ended June 30, 2012**

6. TAXATION

	2012 £	2011 £
Analysis of tax credit in the year		
UK corporation tax credit on loss for the year	(184,161)	(1,098,689)
Deferred tax		
Deferred tax asset written down in current year	-	2,037,716
Tax on loss on ordinary activities	(184,161)	939,027

Factors affecting tax charge for the year

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

	2012 £	2011 £
Loss on ordinary activities before tax	(1,871,897)	(4,917,758)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.5% (2011 - 27.5%)	(477,334)	(1,352,383)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14,173	13,245
Adjustments to tax charge in respect of prior periods	-	239,685
Unrecognised tax losses	279,000	-
Other differences leading to an increase (decrease) in the tax charge	-	764
Current tax credit for the year (see note above)	(184,161)	(1,098,689)

Deferred Taxation

There is an unrecognised deferred tax asset of £2,143,557 (2011 £2,037,716) in relation to losses carried forward

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PAPERLINX SERVICES (EUROPE) LTD

Notes to the financial statements
for the year ended June 30, 2012

7. INTANGIBLE FIXED ASSETS

	Develop- ment £	Trademarks £	Total £
Cost			
At July 1, 2011	712,812	5,441	718,253
Additions	66,250	-	66,250
At June 30, 2012	779,062	5,441	784,503
Amortisation			
At July 1, 2011	434,464	1,843	436,307
Charge for the year	123,336	545	123,881
At June 30, 2012	557,800	2,388	560,188
Net book value			
At June 30, 2012	221,262	3,053	224,315
At June 30, 2011	278,348	3,598	281,946

8. TANGIBLE FIXED ASSETS

	L/Term Leasehold Property £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Total £
Cost					
At July 1, 2011	360,119	247,435	823,384	246,506	1,677,444
Additions	-	15,824	384,269	-	400,093
At June 30, 2012	360,119	263,259	1,207,653	246,506	2,077,537
Depreciation					
At July 1, 2011	85,501	92,022	318,656	189,384	685,563
Charge for the year	44,778	23,731	178,917	43,084	290,510
At June 30, 2012	130,279	115,753	497,573	232,468	976,073
Net book value					
At June 30, 2012	229,840	147,506	710,080	14,038	1,101,464
At June 30, 2011	274,618	155,413	504,728	57,122	991,881

PAPERLINX SERVICES (EUROPE) LTD

**Notes to the financial statements
for the year ended June 30, 2012**

9. DEBTORS

	2012	2011
	£	£
Trade debtors	43,333	41,616
Amounts owed by group undertakings	17,684,005	20,901,794
VAT repayable	593,532	683,774
Corporation tax repayable	184,161	-
Other debtors	35,840	9,987
Prepayments and accrued income	1,139,742	1,276,531
	<u>19,680,613</u>	<u>22,913,702</u>

**10. CREDITORS:
Amounts falling due within one year**

	2012	2011
	£	£
Trade creditors	495,618	248,456
Amounts owed to group undertakings	2,592,487	2,857,345
Accruals and deferred income	1,450,084	1,618,466
	<u>4,538,189</u>	<u>4,724,267</u>

11. PROVISIONS

	Shared Service Consolidation	Logistics consolidation	Total
	£	£	£
At July 1, 2011	2,043,000	507,000	2,550,000
Amounts charged to profit and loss account	6,000	494,400	500,400
Amounts used	(1,390,169)	(519,458)	(1,909,627)
At June 30, 2012	<u>658,831</u>	<u>481,942</u>	<u>1,140,773</u>

Shared Service Consolidation

The company announced its intention to create a UK shared service for a number of support functions in order to service Howard Smith Paper Group Ltd, Robert Horne Group Ltd and The Paper Company Ltd. The above charges reflect the cost involved in creating a UK Shared Service.

Logistics consolidation

The company has been running an ongoing rationalisation program which seeks to best align its logistics capability with the needs of the PaperlinX UK group. As a consequence of this a number of properties will be vacated with the associated operations being handled from other company sites, costs have been provided accordingly.

PAPERLINX SERVICES (EUROPE) LTD

Notes to the financial statements
for the year ended June 30, 2012

12. SHARE CAPITAL

	2012 £	2011 £
Authorised, allotted, called up and fully paid		
25,000,000 Ordinary shares of £1 each	<u>25,000,000</u>	<u>25,000,000</u>

13. RESERVES

	Profit and loss account £
At July 1, 2011	(7,958,258)
Loss for the year	(1,687,736)
At June 30, 2012	<u>(9,645,994)</u>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	17,041,742	22,898,527
Loss for the year	(1,687,736)	(5,856,785)
Closing shareholders' funds	<u>15,354,006</u>	<u>17,041,742</u>

15. PENSION COMMITMENTS

The Company's employees are members of various pension schemes which are operated by other PaperlinX Group companies and the employer's contributions to these schemes are recharged to the Company. It is as a result of these recharges that the Company pays contributions to defined contribution pension schemes. The total pension charge was £850,948 (2011 £ 922,569). There were no outstanding or prepaid contributions at 30 June 2012.

PAPERLINX SERVICES (EUROPE) LTD

Notes to the financial statements
for the year ended June 30, 2012

16. OPERATING LEASE COMMITMENTS

At June 30, 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2012 £	Other 2011 £
	2012 £	2011 £		
Expiry date.				
Within 1 year	-	-	329,393	23,472
Between 1 and 5 years	-	-	1,150,776	1,202,192
After more than 5 years	152,500	152,500	181,460	145,613
Total	<u>152,500</u>	<u>152,500</u>	<u>1,661,629</u>	<u>1,371,277</u>

17. 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.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate holding company is PaperlinX (Europe) Limited, a company registered and incorporated in England and Wales.

The Company's ultimate holding company and the 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 7 Dalmore Drive, Scoresby, Victoria 3179, Australia. No other group financial statements include the results of the Company.