Registered number 01138498

HOWARD SMITH PAPER GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

HOWARD SMITH PAPER GROUP LIMITED

COMPANY INFORMATION

Directors	M V Lane-Ley (resigned 31 July 2012) P B Carr C C Stockley D S Allen L M Gordon (appointed 1 November 2011 & resigned 8 February 2013) R J Heald (appointed 1 November 2011) S P King (appointed 5 February 2013)
Company secretary	C Sigley
Company number	01138498
Registered office	Sovereign House Rhosili Road Brackmills Northampton NN4 7JE
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

HOWARD SMITH PAPER GROUP LIMITED

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HOWARD SMITH PAPER GROUP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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

Principal activities

The principal activity of the company and its subsidiary undertakings is that of paper merchants and agents

Business review

The economic and trading conditions the business operated within continued to be challenging throughout the year, this is evidenced by the levels of demand in the paper merchanting and printing sectors during the period The financial results reflect the ongoing focus on operating costs and introduction of new products and services to offset the ongoing reduction in demand for paper in the UK market The loss for the year taken to reserves and after charging restructuring costs, property provisions and a substantial increase in group management charges is £930,000 compared to a loss of £444,000 in 2011

Working capital and trading cash flows have also shown improvements during the current year with the implementation of a range of initiatives in stock management systems and a continued focus on overdue debts These have resulted in reduced stock and trade debtor balances and have enabled the company to reduce the levels of debt owed to the Group compared to the previous year

The Company's financial statements for 2012 reflect the trading of all subsidiaries, which act as the Company's agents As permitted by Section 401 of the Companies Act 2006, the company has not prepared consolidated group financial statements

The Directors consider that there are no future developments expected that may have a material effect on these financial statements and that the financial position of the Company at the year end is satisfactory

Outlook for 2012

Trading conditions are expected to remain challenging throughout the next financial period and we will continue to focus on profitable paper sales together with continued growth in our new products and added value services Further cost savings will be delivered during the year as benefits from recent initiatives are delivered Working capital will also continue to be a priority for the business in the year ahead with ongoing initiatives in stock and debtor management

Results and dividends

The loss for the year, after taxation, amounted to £930,000 *(2011 £444,000 - loss)*

The Directors do not recommend the payment of a dividend (2011 £nil)

Directors

The directors who served during the year were

M V Lane-Ley (resigned 31 July 2012)
P B Carr
C C Stockley
D S Allen
L M Gordon (appointed 1 November 2011 & resigned 8 February 2013)
R J Heald (appointed 1 November 2011)

HOWARD SMITH PAPER GROUP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Political and charitable contributions

The donations made by the company during this period for charitable purposes were £7,232 (2011 £4,045) There were no donations for political purposes (2011 £nil)

Employees

Information on matters of concern to employees is given through information bulletins, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance Consultation with employees has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests

It is the policy of the company that disabled persons shall be considered for employment training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees

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

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

C Sigley
Company secretary

Date 4 March 2013

HOWARD SMITH PAPER GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HOWARD SMITH PAPER GROUP LIMITED

We have audited the financial statements of Howard Smith Paper Group Limited for the year ended 30 June 2012, set out on pages 6 to 23 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HOWARD SMITH PAPER GROUP LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

T. M. Widdas

Tim Widdas (Senior statutory auditor)

for and on behalf of
KPMG LLP

St Nicholas House
Park Row
Nottingham
NG1 6FQ

Date 4 March 2013

HOWARD SMITH PAPER GROUP LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 £000	*2011 £000*
Turnover	1,2	**166,274**	*176,592*
Cost of sales		**(143,812)**	*(152,498)*
Gross profit		**22,462**	*24,094*
Distribution costs		**(19,243)**	*(18,128)*
Administrative expenses		**(4,531)**	*(6,024)*
Operating loss	3	**(1,312)**	*(58)*
Interest payable and similar charges	6	**(194)**	*(514)*
Loss on ordinary activities before taxation		**(1,506)**	*(572)*
Tax on loss on ordinary activities	7	**576**	*128*
Loss for the financial year	16	**(930)**	*(444)*

All amounts relate to continuing operations

The notes on pages 9 to 23 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 £000	*2011* *£000*
Loss for the financial year		**(930)**	*(444)*
Actuarial (loss)/gain related to pension scheme		**(2,761)**	*1,246*
Deferred tax attributable to actuarial (loss)/gain		**616**	*(429)*
Total recognised gains and losses relating to the year		**(3,075)**	*373*

The notes on pages 9 to 23 form part of these financial statements

HOWARD SMITH PAPER GROUP LIMITED

BALANCE SHEET
AS AT 30 JUNE 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	8		3,702		4,520
Investments	9		18,101		18,101
			21,803		22,621
Current assets					
Stocks	10	9,659		10,290	
Debtors	11	38,716		41,344	
Cash at bank		6,256		5,875	
		54,631		57,509	
Creditors amounts falling due within one year	12	(27,864)		(34,851)	
Net current assets			26,767		22,658
Total assets less current liabilities			48,570		45,279
Creditors amounts falling due after more than one year	13		(27,026)		(22,569)
Provisions for liabilities					
Other provisions	14		(1,770)		(941)
Net assets excluding pension scheme liability			19,774		21,769
Defined benefit pension scheme liability	21		(3,815)		(2,735)
Net assets including pension scheme liability			15,959		19,034
Capital and reserves					
Called up share capital	15		22,500		22,500
Revaluation reserve	16		342		342
Capital redemption reserve	16		3,168		3,168
Profit and loss account	16		(10,051)		(6,976)
Shareholders' funds	17		15,959		19,034

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 March 2013

Richard Heald

R J Heald
Director

The notes on pages 9 to 23 form part of these financial statements

BALANCE SHEET
AS AT 30 JUNE 2012

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom A summary of the more important accounting policies, which have been applied consistently unless otherwise stated, is set out below

1 1 BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain fixed asset investments

During the year ended 31 December 1998, the entire trade and assets of the subsidiary undertakings of Howard Smith Paper Ltd, Howard Smith Paper (Scotland) Ltd, Contract Paper Ltd, Savory Paper Ltd, Trade Paper Ltd and Precision Publishing Papers Ltd (collectively, the "Subsidiaries") were transferred to Howard Smith Paper Group Limited ("Parent") at their book value On 29 June 2011 Howard Smith Paper (Scotland) Ltd and Savory Paper Ltd were liquidated No adjustment has been made to the carrying value of the Company's investment in the remaining individual subsidiary companies as there has been no overall loss to the Group because the trade and assets are retained in the Parent The directors consider that this policy is necessary in order that the financial statements give a true and fair view

The terms of the agreements are that all transactions are undertaken by the Subsidiaries on behalf of the Parent, and the Subsidiaries are indemnified by the Parent from and against all debts, liabilities and obligations incurred by them as a result of these transactions All transactions of the subsidiaries are therefore contained within these financial statements

1 2 BASIS OF PREPARATION

The company is included in the consolidated financial statements of PaperlinX Limited incorporated in Australia As permitted by Section 401 of the Companies Act 2006, the company has not prepared group financial statements These financial statements present information about the company as an individual undertaking and not about its group

The accounts have been prepared on a going concern basis 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 which expires in September 2014 together with trading forecasts which show the Company generating positive cash flows, lead the directors to believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

As a consequence the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing these financial statements

1 3 CASH FLOW STATEMENT

Under Financial Reporting Standard (FRS 1') (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of the ultimate parent undertaking, PaperlinX Limited, which is incorporated in Australia, and prepares a consolidated cashflow statement in accordance with FRS 1 (revised)

1. ACCOUNTING POLICIES (continued)

1 4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation less depreciation Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

S/Term Leasehold Property	-	Lower of useful economic life of lease
Plant and machinery	-	2 to 10 years
Motor vehicles	-	2 to 10 years
Fixtures and fittings	-	2 to 10 years
Office equipment	-	2 to 10 years
Computer equipment	-	2 to 10 years

Estimation of residual values and useful lives includes an assessment of the expected rate of technological development and the intensity at which the assets are expected to be used The carrying values of tangible fixed assets are reviewed for impairment in periods where circumstances indicate the carrying value may not be recoverable

1 5 FINANCE AND OPERATING LEASES

Costs under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets

1 6 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.7 FOREIGN CURRENCIES

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date Monetary assets and liabilities denominated in a foreign currency are translated into sterling using the rate of exchange ruling at the balance sheet date, and resulting gains or losses are included in the profit and loss account

1 ACCOUNTING POLICIES (continued)

1 8 POST RETIREMENT BENEFITS

The Company operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company

Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme deficit is recognised in full The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company 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

1 9 TAXATION

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

1 10 DEFERRED TAXATION

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

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements

1 11 GOING CONCERN BASIS OF ACCOUNTING

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 and without the necessity to curtail materiality the scale of the 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 ability of the Company to meet its operational cash requirements and remain within the limits of these facilities in the foreseeable future 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 available facilities to enable the Company to operate

After making enquires and considering the implications of the material uncertainties described above, 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

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

1. ACCOUNTING POLICIES (continued)

1 12 INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment

1 13 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

2 GEOGRAPHICAL REPRESENTATION OF TURNOVER

All the trading activity of the Company relates to paper merchanting

	2012 £000	*2011 £000*
United Kingdom	165,971	*175,740*
Europe	303	*852*
	166,274	*176,592*

All of the company's net assets are in the United Kingdom

Loss before tax is earned in proportion to turnover, and is therefore almost entirely earned in the United Kingdom

3 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2012 £000	*2011 £000*
Depreciation of tangible fixed assets		
- owned by the company	838	*809*
Auditors' remuneration	50	*52*
Hire of plant and machinery - operating leases	324	*23*
Hire of land and buildings - operating leases	1,262	*1,518*
Rents receivable from property	(35)	*(68)*

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

1. ACCOUNTING POLICIES (continued)

4 EMPLOYEE INFORMATION

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

	2012 No	*2011 No*
Sales and distribution	220	*210*
Administration	17	*27*
	237	*237*

Employee costs include 72 (2011 70) employees that have been recharged to other UK group companies at a cost of £2,300,444 (2011 £2,697,464)

	2012 £000	*2011 £000*
Wages and salaries	8,084	*8,182*
Social security costs	843	*883*
Other pension costs	396	*413*
Total	9,323	*9,478*

5 DIRECTORS' REMUNERATION

The highest paid director received remuneration of £222,000 *(2011 £226,000)*

	2012 £000	*2011 £000*
Aggregate emoluments and benefits	222	*226*

6 INTEREST PAYABLE

	2012 £000	*2011 £000*
On bank loans and overdrafts	450	*508*
Other interest payable	8	*51*
Net interest receivable on pension scheme assets and liabilities	(264)	*(45)*
	194	*514*

7 TAXATION

	2012 £000	*2011 £000*
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
Adjustments in respect of prior periods	70	*319*
DEFERRED TAX		
Current year	(341)	*(174)*
Adjustment in respect of prior periods	(305)	*(273)*
TOTAL DEFERRED TAX	(646)	*(447)*
TAX ON LOSS ON ORDINARY ACTIVITIES	(576)	*(128)*

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	(1,506)	*(572)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25 5% *(2011 27 5%)*	(384)	*(157)*
EFFECTS OF		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	111	*42*
Adjustments to tax charge in respect of prior periods	70	*319*
Short term timing difference leading to an increase/ (decrease) in taxation	55	*(9)*
Unrelieved Tax losses carried forward	404	*154*
Depreciation in excess of capital allowances	213	*69*
FRS17 pension adjustments	(399)	*(99)*
CURRENT TAX CHARGE FOR THE YEAR (see note above)	70	*319*

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 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively The 24% rate change has been reflected in the figures above It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets accordingly

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

8 TANGIBLE FIXED ASSETS

	L/Term Leasehold Property £000	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000
COST OR VALUATION				
At 1 July 2011	276	4,882	710	571
Additions	-	-	17	-
At 30 June 2012	276	4,882	727	571
DEPRECIATION				
At 1 July 2011	253	2,769	520	489
Charge for the year	4	467	39	19
At 30 June 2012	257	3,236	559	508
NET BOOK VALUE				
At 30 June 2012	19	1,646	168	63
At 30 June 2011	*23*	*2,113*	*190*	*82*

	Computer equipment £000	Total £000
COST OR VALUATION		
At 1 July 2011	5,724	12,163
Additions	3	20
At 30 June 2012	5,727	12,183
DEPRECIATION		
At 1 July 2011	3,612	7,643
Charge for the year	309	838
At 30 June 2012	3,921	8,481
NET BOOK VALUE		
At 30 June 2012	1,806	3,702
At 30 June 2011	*2,112*	*4,520*

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

9 FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 July 2011 and 30 June 2012	18,101
NET BOOK VALUE	
At 30 June 2012	18,101
At 30 June 2011	*18,101*

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company

Name	Class of shares held	Holding
Howard Smith Paper Limited	Ordinary shares	100%
Contract Paper Limited	Ordinary and preference shares	100%
Trade Paper Limited	Ordinary shares	100%
Precision Publishing Papers Limited	Ordinary shares	100%

All companies are wholly owned and incorporated in Great Britain and the principle activity of subsidiary undertakings is Paper Merchants and Agents

10 STOCKS

	2012 £000	*2011 £000*
Finished goods and goods for resale	9,659	*10,290*

11 DEBTORS

	2012 £000	*2011 £000*
Trade debtors	32,837	*35,820*
Amounts owed by group undertakings	2,127	*1,627*
Other debtors	290	*1,291*
Prepayments and accrued income	2,723	*2,606*
Deferred tax asset	739	-
	38,716	*41,344*

As set out in note 18 the trade debtors of the company form part of a securitisation programme with ING Bank BV

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

Deferred tax asset comprises

	2012 £000	2011 £000
Accelerated capital allowances	67	585
Other short term timing differences	(52)	(7)
Tax losses	(754)	(374)
Total	(739)	204

There are no amounts of unprovided deferred taxation at 30 June 2012 (2011 £nil) In addition a deferred tax asset of £1,209,000 (2011 £961,000) has been accounted for within the net defined benefit pension liability

12. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £000	2011 £000
Bank loans and overdrafts	-	1
Trade creditors	12,949	18,996
Amounts owed to group undertakings	6,350	7,800
Social security and other taxes	2,665	3,075
Accruals and deferred income	5,900	4,979
	27,864	34,851

13 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £000	2011 £000
Amounts owed to parent and fellow subsidiary undertakings	27,026	22,569

Creditors include amounts not wholly repayable within 5 years as follows

	2012 £000	2011 £000
Repayable other than by instalments	27,026	22,569

14 PROVISIONS

	Restructuring provision £000	Onerous lease £000	Total £000
At 1 July 2011	84	857	941
Utilised in the year	(84)	(74)	(158)
Charge/(credit) to profit and loss for the year	987	-	987
At 30 June 2012	987	783	1,770

The restructuring provision relates primarily to redundancy costs to be incurred to streamline the business The redundancy program has been communicated to employees prior to the year end
Provisions and liabilities due in < 1 year 987
Provisions and liabilities due in > 1 year 783

The onerous lease provision relates to vacated property at Livingstone and Warrington with the provision representing managements' best estimate of the costs to exit these leases which expire in 2016 and 2015 respectively

15 SHARE CAPITAL

	2012 £000	*2011 £000*
ALLOTTED, CALLED UP AND FULLY PAID		
22,500,000- Ordinary shares shares of £1 each	22,500	*22,500*

16. RESERVES

	Capital redempt'n reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 July 2011	3,168	342	(6,976)
Loss for the year	-	-	(930)
Actuarial loss on pension scheme	-	-	(2,145)
At 30 June 2012	3,168	342	(10,051)

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Opening shareholders' funds	19,034	18,661
Loss for the year	(930)	(444)
Other recognised gains and losses during the year	(2,145)	817
Closing shareholders' funds	15,959	19,034

18 CONTINGENT LIABILITIES

The Company participates 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

19 CAPITAL COMMITMENTS

At 30 June 2012 the company had capital commitments as follows

	2012 £000	2011 £000
Contracted for but not provided in these financial statements	-	-

20 OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other	
	2012 £000	2011 £000	2012 £000	2011 £000
EXPIRY DATE				
Within 1 year	-	22	20	5
Between 2 and 5 years	482	470	304	219
After more than 5 years	780	780	-	-

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

21. PENSION SCHEMES

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown

	2012 £000	2011 £000
Present value of funded defined benefit obligations	**(36,671)**	(34,555)
Fair value of plan assets	**31,647**	30,859
Deficit	**(5,024)**	(3,696)
Related deferred tax asset	**1,209**	961
Net liability	**(3,815)**	(2,735)

Movements in present value of defined benefit obligation

	2012 £000	2011 £000
At 1 July	**34,555**	31,218
Current service cost	**150**	150
Interest cost	**1,878**	1,754
Actuarial losses	**1,187**	2,621
Benefits paid	**(811)**	(895)
Expenses paid	**(288)**	(293)
At 30 June	**36,671**	34,555

Movements in fair value of plan assets

	2012 £000	2011 £000
At 1 July	**30,859**	25,916
Expected return on plan assets	**2,142**	1,799
Actuarial gains	**(1,574)**	3,867
Contributions by employer	**1,319**	465
Benefits paid	**(811)**	(895)
Expenses paid	**(288)**	(293)
At 30 June	**31,647**	30,859

21 Pension schemes *(continued)*

Expense recognised in the profit and loss account

	2012 £000	2011 £000
Current service cost	**150**	150
Interest on defined benefit pension plan obligation	**1,878**	1,754
Expected return on defined benefit pension plan assets	**(2,142)**	(1,799)
Total	**(114)**	105

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £2,761,000 *(2011 gain of £1,246,000)*

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are a loss of £3,983,000 *(2011 loss of £1,222,000)*

The fair value of the plan assets and the return on those assets were as follows

	2012 Fair value £000	2011 Fair value £000
Equities	**22,527**	22,883
Government debt	**4,495**	3,695
Corporate bonds	**4,036**	3,702
Other	**589**	579
Actual return on plan assets	**568**	5,666

An expected rate of return is determined for each asset category and then weighted by the percentages of the Schemes asset holdings in each category to build up an expected rate of return for the entire holding The expected return on bonds is based on yields of bonds of consistent term to the liabilities The expected return on equities is based on the expected return on Government bonds with an additional allowance for out-performance consistently applied from year to year The expected return on cash is based on the prevailing Bank of England Base Rate The expected return on Insured Pensioners is taken as the discount rate

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	2012 %	2011 %
Discount rate	**4 90**	5 50
Expected rate of return on plan assets	**6 40**	7 00
Future pension increases (6 April 1997 to 5 April 2005)	**3 00**	3 45
Future pension increases (post 5 April 2005)	**2 10**	2 40
Inflation assumption	**3 00**	3 35
Future expected salary increases	**N/A**	N/A

The salary increase assumption is no longer required as the Scheme closed to future accrual as at 31 December 2009 with all remaining active members becoming deferred at that point

In valuing the liabilities of the pension fund at 30 June 2012, mortality assumptions have been made as indicated below If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 June 2012 would have increased by £917,000 before deferred tax

21 Pension schemes *(continued)*

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 22 years (male), 25 years (female)
- Future retiree upon reaching 65 23 years (male), 26 years (female)

History of plans

The history of the plans for the current and prior periods is as follows

Balance sheet

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**36,671**	34,555	31,218	25,268	29,607
Fair value of scheme assets	**(31,647)**	(30,859)	(25,916)	(21,250)	(23,813)
Deficit	**5,024**	3,696	5,302	4,018	5,794

Experience adjustments

	2012	2011	2010	2009	2008
Experience adjustments on scheme liabilities					
Amount (£000)	**(1,187)**	(2,621)	5,974	(6,374)	2,035
Percentage of scheme liabilities (%)	**(3%)**	(8%)	19%	(25%)	7%
Experience adjustments on scheme assets					
Amount (£000)	**1,574**	(3,867)	3,199	(4,721)	(3,259)
Percentage of scheme assets (%)	**5%**	(12%)	12%	(22%)	(14%)

The Company expects to contribute approximately £750,000 to its defined benefit plans in the next financial year

Defined Contribution Scheme

The Company operates a defined contribution stakeholder pension scheme There was a charge of £396,000 in the year (2011 £413,000) relating to contributions to this scheme and there were no outstanding or prepaid contributions at 30 June 2012 or 30 June 2011

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

22 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

No other related party transactions were known to have been made in the year ended 30 June 2012 (2011 none)

23 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is PaperlinX Investments (Europe) Limited

The ultimate parent undertaking and controlling party is PaperlinX Limited, incorporated in Australia, which is the largest and smallest group to consolidate these financial statements

Copies of PaperlinX Limited consolidated financial statements can be obtained from the Company Secretary, PaperlinX Limited, 7 Dalmore Drive, Scoresby, Victoria 3179, Australia