Registered number: 01995271

# THE PAPER COMPANY LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2012

# THE PAPER COMPANY LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | M Lane-Ley (resigned 31 July 2012)<br>D S Allen<br>P B Carr<br>S P King<br>C C Stockley<br>R J Heald (appointed 1 November 2011)<br>L M Gordon (appointed 1 November 2011 & resigned 8 February 2013) |
| **Company secretary** | C Sigley |
| **Company number** | 01995271 |
| **Registered office** | Unit 1 Bricklayers Arms<br>Mandela Way<br>London<br>SE1 5SP |
| **Auditors** | KPMG LLP<br>St Nicholas House<br>Park Row<br>Nottingham<br>NG1 6FQ |

THE PAPER COMPANY LIMITED

CONTENTS


| | Page |
|---|---|
| Directors' report | 1 - 2 |
| Directors' responsibilities statement | 3 |
| Independent auditors' report | 4 - 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 - 19 |

# 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 continues to be paper merchanting

## Business review

As anticipated the economic and market conditions remained challenging throughout the current year, negatively impacting on the trading results During the year the Company has carried out a number of strategic initiatives to minimise the impacts of these external influences whilst maximising the service offering to customers and aligning the cost base with market and economic conditions Given the economic and market conditions the results for the year are in line with expectations

Market and economic conditions are expected to remain challenging for the year ahead The Company remains focused on delivering sustainable long term results for the benefit of all stakeholders, fully leveraging the benefits of being part of the global PaperlinX business

## Results

The retained loss for the year being £3,212,000 (2011 £1,514,000 profit), which is stated after charging restructuring costs of £1,082,000 (2011 £1,076,000) Loss before tax was £3,890,000 compared to £1,310,000 profit for the previous year The directors do not recommend payment of a dividend (2011 £nil)

## Directors

The directors who served during the year were

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

## Charitable contributions

Contributions by the Company to UK charities during the year amounted to £6,273 (2011 £3,390) No contributions were made for political purposes (2011 £nil)

## Company's policy for payment of creditors

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of business with those suppliers and to abide by them At the year end the amount owed to trade creditors by the Company was equivalent to 41 days of purchases from suppliers (2011 49 days)

## Employment of disabled people and employee involvement

It is the Company's policy to ensure that equal opportunity is given for the employment, training and career development of disabled persons, including persons who become disabled whilst in the Company's employment The motivation and commitment of its employees is a major contributor to the Company's success The

Company seeks the ongoing involvement of staff through its elected Forum this covers both commercial and operational performance, major policy issues and local factors that affect employees on a day to day basis

**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

This report was approved by the board on 4 March 2013 and signed on its behalf

**C Sigley**
Company secretary

Unit 1 Bricklayers Arms
Mandela Way
London
SE1 5SP

## 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 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 THE PAPER COMPANY LIMITED

We have audited the financial statements of The Paper Company Limited for the year ended 30 June 2012, set out on pages 6 to 19 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 THE PAPER COMPANY 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

Tim Widdas (Senior statutory auditor)

for and on behalf of
**KPMG LLP**

St Nicholas House
Park Row
Nottingham
NG1 6FQ

4 March 2013

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

| | Note | 2012 £000 | *2011 £000* |
|---|---|---|---|
| **TURNOVER** | 1,2 | **273,329** | *296,720* |
| Purchase of paper | | **(225,092)** | *(239,502)* |
| Other external charges | | **(34,356)** | *(37,177)* |
| Staff costs | | **(13,390)** | *(14,507)* |
| Depreciation and amortisation | | **(1,950)** | *(2,044)* |
| **OPERATING (LOSS)/PROFIT** | 3 | **(1,459)** | *3,490* |
| **EXCEPTIONAL ITEMS** | | | |
| Net profit/(loss) on sale of tangible fixed assets | | **-** | *(5)* |
| Restructuring costs | | **(1,082)** | *(1,076)* |
| **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST** | | **(2,541)** | *2,409* |
| Interest receivable and similar income | 7 | **80** | *185* |
| Interest payable and similar charges | 8 | **(1,429)** | *(1,284)* |
| **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | **(3,890)** | *1,310* |
| Tax on (loss)/profit on ordinary activities | 9 | **678** | *204* |
| **(LOSS)/PROFIT FOR THE FINANCIAL YEAR** | 17 | **(3,212)** | *1,514* |

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 19 form part of these financial statements

THE PAPER COMPANY LIMITED
REGISTERED NUMBER· 01995271

## BALANCE SHEET
## AS AT 30 JUNE 2012

| | Note | £000 | 2012 £000 | £000 | 2011 £000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 10 | | 314 | | 1,823 |
| Tangible assets | 11 | | 1,887 | | 2,207 |
| | | | 2,201 | | 4,030 |
| **CURRENT ASSETS** | | | | | |
| Stocks | | 22,353 | | 21,570 | |
| Debtors | 12 | 139,165 | | 131,974 | |
| Cash in hand | | 8,078 | | 10,358 | |
| | | 169,596 | | 163,902 | |
| **CREDITORS:** amounts falling due within one year | 13 | (63,970) | | (57,244) | |
| **NET CURRENT ASSETS** | | | 105,626 | | 106,658 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 107,827 | | 110,688 |
| **PROVISIONS FOR LIABILITIES** | | | | | |
| Other provisions | 15 | | (1,340) | | (989) |
| **NET ASSETS** | | | 106,487 | | 109,699 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 16 | | 86,567 | | 86,567 |
| Share premium account | 17 | | 17,139 | | 17,139 |
| Profit and loss account | 17 | | 2,781 | | 5,993 |
| **SHAREHOLDERS' FUNDS** | 18 | | 106,487 | | 109,699 |

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

**R J Heald**
Director

The notes on pages 8 to 19 form part of these financial statements

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation of financial statements

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

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006 These financial statements therefore present information about the Company as an individual undertaking and not about its group

As 100% of the Company's voting rights are controlled within the group headed by PaperlinX Limited, 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"

As detailed in note 19 the Company is a party to the PaperlinX Limited group borrowing facilities with regional asset backed facilities in Australia, USA, Canada and Europe

The company continues to operate a receivables securitisation program with Royal Bank of Scotland (RBS) Invoice Finance which has a maturity date of 25 May 2014 The structure of the facility is to obtain funding through the transfer of trade receivables to RBS Invoice Finance

The financing arrangements 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 the annual financial statements

## 1. ACCOUNTING POLICIES (continued)

### 1.2 Going concern

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 Royal Bank of Scotland (RBS) Invoice Financing implemented in May 2010 and which has a maturity date of May 2014 The structure of the facility is to obtain funding through the transfer of trade receivables to RBS Invoice Finance There are no covenants attaching to the facility

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 meeting its 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 enquiries 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

### 1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

## 1. ACCOUNTING POLICIES (continued)

### 1.4 Intangible fixed assets and amortisation

The trade and assets of certain subsidiary undertakings were transferred to the Company for their book value which was less than their fair value The cost of the Company's investments in these subsidiary undertakings reflected the underlying fair value of their net assets and goodwill at the time of acquisition As a result of the transfers, the value of the Company's investments in the subsidiary undertaking fell below the amount at which they were stated in the Company's accounting records The regulations to the Companies Act 2006 require that the investments be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the Company's balance sheet the effective cost of these net assets and goodwill The goodwill is shown as an intangible asset and amortised over its expected useful economic life The effect of this departure from the Companies Act is to reduce the Company's profit for the financial year by £1,470,000 (2011 decrease of £1,470,000) and to increase the value of the goodwill and profit and loss account in the Company's balance sheet by £274,000 (2011 £1,744,000)

**Other intangible fixed assets and amortization**

Intangible fixed assets purchased separately from a business are capitalised at their cost Software, concessions, patents, licences and trademarks purchased by the Company are amortized to nil by equal annual instalments over their useful economic lives, generally their respective unexpired period, of between 7 and 50 years

### 1.5 Turnover

Turnover represents net sales, excluding value added tax, invoiced to third parties

### 1 6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

### 1.7 Tangible fixed assets and depreciation

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

| | | |
|---|---|---|
| Freehold property | - | 50 years |
| S/Term Leasehold Property | - | period to first rent review |
| Plant and machinery | - | 4 to 20 years |
| Motor vehicles | - | 4 to 5 years |

## 1 ACCOUNTING POLICIES (continued)

### 1.8 Deferred taxation

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

Deferred tax is recognised, 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"

### 1.9 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

### 1.10 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

### 1.11 Operating leases

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

### 1.12 Pensions

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. ACCOUNTING POLICIES (continued)

### 1 13 Financial Instruments

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

## 2. TURNOVER

All turnover arose within the United Kingdom and Ireland

## 3 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging

| | 2012<br>£000 | *2011*<br>*£000* |
|---|---|---|
| Amortisation - intangible fixed assets | 1,475 | *1,476* |
| Depreciation of tangible fixed assets | | |
| - owned by the company | 431 | *466* |
| Operating lease rentals | | |
| - plant and machinery | 1,229 | *1,102* |
| - other operating leases | 475 | *662* |
| Amortisation of software | 43 | *50* |

Operating lease costs are reported above as being net of recharges to other PaperlinX group companies, for which The Paper Company Limited holds the lease commitment

## 4 AUDITORS' REMUNERATION

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 112 | *128* |

## 5 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Wages and salaries | 10,784 | *11,729* |
| Social security costs | 1,371 | *1,385* |
| Other pension costs | 1,235 | *1,394* |
| | 13,390 | *14,508* |

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

| | 2012 No. | *2011 No* |
|---|---|---|
| Average number of employees | 361 | *383* |

An additional 303 (2011 312) people are employed by The Paper Company but work for other group companies and the additional cost of employing these of £7,972,000 (2011 £8,454,000) wages and salaries, £588,000 (2011 £667,000) pension contributions and £787,000 (2011 £622,000) social security costs are recharged These figures above are presented net of these employees

## 6. DIRECTORS' REMUNERATION

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Emoluments | 312 | *277* |
| Company pension contributions to defined contribution pension schemes | 28 | *63* |

During the year retirement benefits were accruing to 2 directors *(2011 2)* in respect of defined contribution pension schemes

The highest paid director received remuneration of £187,000 *(2011 £211,000)*

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,000 *(2011 £25,000)*

## 7. INTEREST RECEIVABLE

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Interest receivable from group companies | 80 | 182 |
| Other interest receivable | - | 3 |
| | 80 | 185 |

## 8. INTEREST PAYABLE

| | 2012 £000 | 2011 £000 |
|---|---|---|
| On bank loans and overdrafts | 1,429 | 1,284 |

## 9. TAXATION

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **Analysis of tax credit in the year** | | |
| **Current tax** (see note below) | | |
| UK corporation tax charge on (loss)/profit for the year | - | 716 |
| Adjustments in respect of prior periods | 357 | (844) |
| **Total current tax** | 357 | (128) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (557) | - |
| Effect of increased tax rate on opening liability | 43 | 27 |
| Adjustment in respect of prior periods | (521) | (96) |
| Charge for the period at current tax rate | - | (7) |
| **Total deferred tax** (see note 14) | (1,035) | (76) |
| **Tax on (loss)/profit on ordinary activities** | (678) | (204) |

## 9. TAXATION (continued)

**Factors affecting tax charge for the year/for the year ended**

The tax assessed for the year is higher than *(2011 lower than)* the standard rate of corporation tax in the UK of 25 5% *(2011 27 5%)* The differences are explained below

| | **2012** | *2011* |
|---|---|---|
| | **£000** | *£000* |
| (Loss)/profit on ordinary activities before tax | **(3,890)** | *1,310* |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25 5% *(2011 27 5%)* | **(992)** | *360* |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **427** | *495* |
| Depreciation in excess of capital allowances | **110** | *2* |
| Adjustments to tax charge in respect of prior periods | **357** | *(844)* |
| Other timing differences leading to a decrease in taxation | **(275)** | *(141)* |
| Tax losses carried forward | **730** | *-* |
| **Current tax charge/(credit) for the year** (see note above) | **357** | *(128)* |

**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 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

## 10. INTANGIBLE FIXED ASSETS

| | Software £000 | Goodwill £000 | Trademarks £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 July 2011 | 2,682 | 29,403 | 240 | 32,325 |
| Additions | 9 | - | - | 9 |
| At 30 June 2012 | 2,691 | 29,403 | 240 | 32,334 |
| **Amortisation** | | | | |
| At 1 July 2011 | 2,614 | 27,659 | 229 | 30,502 |
| Charge for the year | 43 | 1,470 | 5 | 1,518 |
| At 30 June 2012 | 2,657 | 29,129 | 234 | 32,020 |
| **Net book value** | | | | |
| At 30 June 2012 | 34 | 274 | 6 | 314 |
| *At 30 June 2011* | *68* | *1,744* | *11* | *1,823* |

The goodwill of £274,000 (2011 £1,744,000) represents the excess of the cost of investments in subsidiary undertakings over the net assets and liabilities of those subsidiary undertakings transferred to the Company Goodwill is being amortised on a straight line basis over 20 years Trademarks are carried at cost and are amortised over a useful economic life of 10 years

## 11. TANGIBLE FIXED ASSETS

| | Freehold property £000 | S/Term Leasehold Property £000 | Plant and machinery £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July 2011 | 1,999 | 1,758 | 10,179 | 22 | 13,958 |
| Additions | - | 20 | 91 | - | 111 |
| At 30 June 2012 | 1,999 | 1,778 | 10,270 | 22 | 14,069 |
| **Depreciation** | | | | | |
| At 1 July 2011 | 987 | 1,402 | 9,341 | 21 | 11,751 |
| Charge for the year | 28 | 100 | 302 | 1 | 431 |
| At 30 June 2012 | 1,015 | 1,502 | 9,643 | 22 | 12,182 |
| **Net book value** | | | | | |
| At 30 June 2012 | 984 | 276 | 627 | - | 1,887 |
| *At 30 June 2011* | *1,012* | *356* | *838* | *1* | *2,207* |

## 12 DEBTORS

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Trade debtors | 59,693 | *63,023* |
| Amounts owed by group undertakings | 72,572 | *65,150* |
| Other debtors | 4,502 | *2,412* |
| Prepayments and accrued income | 799 | *825* |
| Deferred tax asset (see note 14) | 1,599 | *564* |
| | 139,165 | *131,974* |

## 13. CREDITORS:
### Amounts falling due within one year

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Bank loans and overdrafts | 22,020 | *10,152* |
| Trade creditors | 23,370 | *27,529* |
| Amounts owed to group undertakings | 10,562 | *9,453* |
| Corporation tax | - | *716* |
| Other creditors | 2,866 | *3,926* |
| Accruals and deferred income | 5,152 | *5,468* |
| | 63,970 | *57,244* |

## 14. DEFERRED TAX ASSET

| | 2012 £000 | *2011 £000* |
|---|---|---|
| At beginning of year | 564 | *489* |
| Credit to profit and loss in the year | 1,035 | *75* |
| At end of year | 1,599 | *564* |

The deferred tax asset is made up as follows

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Accelerated capital allowances | 525 | *168* |
| Tax losses carried forward | 687 | *-* |
| Short term timing differences | 387 | *396* |
| | 1,599 | *564* |

## 15. PROVISIONS

| | Restructuring £000 |
|---|---|
| At 1 July 2011 | 989 |
| Amounts charged to the profit and loss | 1,082 |
| Utilised in year | (731) |
| At 30 June 2012 | 1,340 |

### Restructuring

The restructuring provision held at the end of the year is provided with regards to future redundancy costs arising from the strategic initiatives implemented during the financial year The redundancy costs are expected to be incurred during the first half of the next financial year

## 16. SHARE CAPITAL

| | 2012 £000 | *2011 £000* |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 86,567,022 Called up and fully paid shares of £1 each | 86,567 | *86,567* |

## 17. RESERVES

| | Share premium account £000 | Profit and loss account £000 |
|---|---|---|
| At 1 July 2011 | 17,139 | 5,993 |
| Loss for the year | - | (3,212) |
| At 30 June 2012 | 17,139 | 2,781 |

## 18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2012 £000 | *2011 £000* |
|---|---|---|
| Opening shareholders' funds | 109,699 | *108,185* |
| (Loss)/profit for the year | (3,212) | *1,514* |
| Closing shareholders' funds | 106,487 | *109,699* |

## 19 COMMITMENTS AND CONTINGENCIES

The Company in conjunction with various other subsidiaries of the PaperlinX Limited group, are part of regional asset backed facilities in Australia, USA, Canada and Europe

As part of the above arrangements the Company entered into a receivables securitisation program with Royal Bank of Scotland (RBS) Invoice Finance on 26 May 2010 with a maturity date of 25 May 2014 The structure of the facility is to obtain funding through the transfer of trade receivables to RBS Invoice Finance

## 20. CAPITAL COMMITMENTS

There were no capital commitments at the end of the financial year (2011 £nil)

## 21. PENSION COMMITMENTS

The Company operates a defined contribution stakeholder pension scheme through Friends Provident Pensions There was a pension charge of £1,235,000 in the year (2011 £1,394,000) relating to contributions to this scheme and there were no outstanding or prepaid contributions at 30 June 2012 or 30 June 2011

## 22. OPERATING LEASE COMMITMENTS

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

| | **Land and buildings** | | | **Other** |
|---|---|---|---|---|
| | **2012** | *2011* | **2012** | *2011* |
| | **£000** | *£000* | **£000** | *£000* |
| **Expiry date:** | | | | |
| Within 1 year | **319** | *416* | **204** | *753* |
| Between 1 and 5 years | **1,257** | *763* | **720** | *1,236* |
| After more than 5 years | **1,148** | *2,119* | **-** | *29* |
| Total | **2,724** | *3,298* | **924** | *2,018* |

## 23. ULTIMATE HOLDING COMPANY

The immediate parent undertaking is PaperlinX Investments (Europe) Limited, a company registered and incorporated in England and Wales

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 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