

**PaperlinX Investments (Europe) Limited**

**Directors' report and financial  
statements**

Registered number 04434552

30 June 2011

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## **Directors' report**

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

### **Principal activities**

The principal activity of the Company is that of an investment holding company and it therefore derives income from its investments in subsidiary undertakings

### **Results and dividends**

The loss for the year is £21,673,813 (2010 loss £6,648,594) Interim dividends of £nil (2010 £nil) were paid during the year and the directors do not recommend the payment of a final dividend (2010 £nil)

### **Directors**

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

DS Allen  
PB Carr

### **Charitable and political contributions**

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

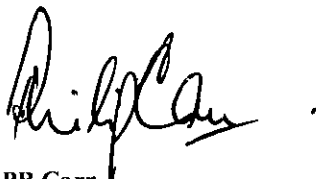
### **Disclosure of information to auditors**

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

### **Auditors**

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

By order of the Board



**PB Carr**  
Director

Huntsman House  
Mansion Close  
Moulton Park  
Northampton NN3 6LA

Dated 21-12-11

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

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



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

We have audited the financial statements of PaperlinX Investments (Europe) Limited for the year ended 30 June 2011 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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

**TM Widdas** (Senior Statutory Auditor)

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

Dated 3-1-12

**Profit and loss account**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>2011</b> <b>£000</b>	2010 £000
<b>Operating expenses</b>		<b>(553)</b>	<b>(1 582)</b>
Impairment of investments	7	(19,113)	-
Profit/(loss) on disposal of investments		45	(67)
Interest receivable and similar income	2	-	138
Finance costs on shares classified as liabilities	3	(5,400)	(5 400)
Interest payable and similar charges	4	(491)	(224)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>5</b>	<b>(25,512)</b>	<b>(7,135)</b>
Tax on loss on ordinary activities	6	3,838	486
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(21,674)</b>	<b>(6 649)</b>
		<hr/> <hr/>	<hr/> <hr/>

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

**Balance sheet**  
*as at 30 June 2011*

	<i>Note</i>	2011	2010
		£000	£000
<b>Fixed assets</b>			
Intangible assets	7	12	-
Investments	8	222,615	241 754
		<u>222,627</u>	<u>241 754</u>
<b>Current assets</b>			
Debtors	9	3,721	4 898
Cash at bank and in hand		-	17
		<u>3,721</u>	<u>4,915</u>
<b>Creditors</b> amounts falling due within one year	10	(112,262)	(110 909)
<b>Net current liabilities</b>		<u>(108,541)</u>	<u>(105 994)</u>
<b>Total assets less current liabilities</b>		<u>114,086</u>	<u>135 760</u>
<b>Net assets</b>		<u>114,086</u>	<u>135 760</u>
<b>Capital and reserves</b>			
Called up share capital	11	15,408	15 408
Share premium reserve	12	135,446	135 446
Profit and loss account	12	(36,768)	(15 094)
<b>Shareholders' funds</b>		<u>114,086</u>	<u>135 760</u>

These financial statements were approved by the Board of Directors on 21-12-11 and signed on its behalf by



**PB Carr**  
 Director

Registered number 04434552

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

	2011 £000	2010 £000
<b>Loss for the year</b>	<b>(21,674)</b>	<b>(6 649)</b>
Net movement in shareholders' funds	<u>(21,674)</u>	<u>(6,649)</u>
Opening shareholders' funds	<u>135,760</u>	<u>142 409</u>
<b>Closing shareholders' funds</b>	<b><u>114,086</u></b>	<b><u>135 760</u></b>



## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

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

#### ***Basis of preparation***

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

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. The consolidated financial statements of PaperlinX Limited within which this company is included, can be obtained from the address given in note 14.

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 financial statements have been prepared on the going concern basis notwithstanding that current liabilities exceed current assets by £108,541,000 (2010 £105,994,000). The Company is dependent for its ongoing funding on its intermediate parent company PaperlinX (Europe) Limited. PaperlinX (Europe) Limited has provided the Company with an undertaking that it will continue to support the Company for at least twelve months from the date of approval of these financial statements. This should enable the Company to continue in operational existence in the foreseeable future by meeting its ongoing liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

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.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***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

#### ***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

#### ***Intangible fixed assets and amortisation***

Intangible fixed assets purchased separately from a business are capitalised at their cost. Brands purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of 20 years

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives. Freehold buildings are depreciated over 50 years. No depreciation is provided on freehold land

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and gains and losses on translation are included in the profit and loss account

#### ***Investments***

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

**Notes (continued)**

**1 Accounting policies (continued)**

**Taxation**

Current tax is provided on the Company's profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

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 Interest receivable and similar income**

	2011 £000	2010 £000
Other interest receivable	-	138
	-	138

**3 Finance costs on shares classified as liabilities**

	2011 £000	2010 £000
Dividends on preference shares classified as liabilities	5,400	5,400
	5,400	5,400

**4 Interest payable and similar charges**

	2011 £000	2010 £000
Payable to group undertakings	446	291
Exchange loss/(gain)	22	(67)
Other interest payable	23	-
	491	224

**5 Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging the auditors' fee of £6,931 (2010 £3,851) and directors' remuneration in respect of this company are borne by another group undertaking

**Notes** *(continued)*

**6 Tax on loss on ordinary activities**

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	(486)
Adjustment in respect of prior periods	(3,257)	-
	<hr/>	<hr/>
Total current year tax charge	(3,257)	(486)
Deferred tax current year losses	(186)	-
Deferred tax - prior year adjustment	(395)	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	(3,838)	(486)
	<hr/> <hr/>	<hr/> <hr/>

*Factors affecting the tax charge for the current period*

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

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(25,512)	(7,135)
	<hr/>	<hr/>
Expected current tax charge	(7,016)	(1,998)
<i>Effects of</i>		
Finance costs on shares classified as liabilities	1,485	1,512
Disallowable expenditure	5,345	-
Tax losses for the year	186	-
Prior period adjustments	(3,257)	-
	<hr/>	<hr/>
Total current tax charge	(3,257)	(486)
	<hr/> <hr/>	<hr/> <hr/>

*Factors that may affect future tax charges*

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

*Deferred taxation*

There is currently no unprovided deferred taxation.

**7 Intangible assets**

	Software	
	2011 £000	2010 £000
Opening balance	-	-
Additions	12	-
	<hr/>	<hr/>
Closing balance	12	-
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**8 Investments**

	Shares in group undertakings	
	2011 £000	2010 £000
Balance at beginning of year	241,754	241 765
Additions	-	26
Disposal	(26)	-
Impairment	(19,113)	(37)
	222,615	241 754
	222,615	241 754

During the current year the Company disposed of its investment in Thomas Papier SARRL

The company's investments in subsidiary undertakings as at 30 June 2011 are detailed below

Name of company	Country of registration, incorporation and operation	Holding %	Class of shares held	Nature of business
Howard Smith Paper Group Limited	UK	100%	Ordinary	Merchanting
The M6 Paper Group Limited	UK	100%	Ordinary	Dormant
Robert Horne UK Limited	UK	100%	Ordinary and preference	Holding
PaperlinX Treasury (Europe) Limited	UK	100%	Ordinary	Treasury management
The Paper Co Limited	UK	100%	Ordinary	Merchanting
1st Class Packaging Limited	UK	100%	Ordinary	Merchanting
Parkside Packaging Limited	UK	100%	Ordinary	Merchanting
Donington Packaging Limited	UK	100%	Ordinary	Merchanting

In the opinion of the directors the value of the Company's investment in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet

**9 Debtors**

	2011 £000	2010 £000
Amounts owed by group undertakings	873	4 683
Other debtors	390	215
Corporation tax	1,877	-
Deferred tax	581	-
	3,721	4 898
	3,721	4 898

**Notes (continued)**

**10 Creditors, amounts falling due within one year**

	2011 £000	2010 £000
Shares classified as liabilities	72,000	72 000
Amounts owed to group undertakings	39,501	34 507
Other creditors	761	912
Taxation	-	3 490
	<b>112,262</b>	<b>110 909</b>
	<b>112,262</b>	<b>110 909</b>

The shares classified as liabilities are represented by 72,000,000 preference shares of £1 each, issued to PaperlinX (Europe) Limited and are repayable on demand

**11 Share capital**

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
15 407,946 ordinary shares of £1 each	15,408	15 408
	<b>15,408</b>	<b>15 408</b>
	<b>15,408</b>	<b>15 408</b>

**12 Reserves**

	Share premium £000	Profit and loss account £000
Balance at beginning of year	135 446	(15 094)
Loss for the year	-	(21 674)
	<b>135,446</b>	<b>(36,768)</b>
<b>Balance at end of year</b>	<b>135,446</b>	<b>(36,768)</b>

**13 Related party transactions**

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

**14 Ultimate holding company**

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

The Company's ultimate holding company and largest group in which the results of the Company are consolidated is PaperlinX Limited, a company registered and incorporated in Australia. The consolidated financial statements of PaperlinX Limited can be obtained from the Company Secretary, PaperlinX Limited, 7 Dalmore Drive, Scoresby, Victoria 3179, Australia. No other financial statements include the results of the company.