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# Paperlinx Ireland Limited

Directors' report and  
Financial statements

**Year ended 30 June 2011**

*Registered number: 080586*

# Paperlinx Ireland Limited

## Directors' report and financial statements

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# Paperlinx Ireland Limited

## Directors and other information

<b>Directors</b>	Michael Callaghan Enda Brophy Phil Carr (British) David Allen (British)
<b>Secretary</b>	Caroline Sigley (British)
<b>Registered office</b>	No. 10 Fonthill Business Park Fonthill Road Dublin 22
<b>Auditor</b>	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
<b>Bankers</b>	Ulster Bank Dun Laoghaire Centre Branch Dun Laoghaire Co. Dublin
<b>Solicitors</b>	A & L Goodbody North Wall Quay Dublin 1
<b>Registered number</b>	080586

# Paperlinx Ireland Limited

## Directors' report

The directors present their annual report and the audited financial statements of Paperlinx Ireland Limited ("the Company") for the year ended 30 June 2011.

### **Principal activities, risks and uncertainties, business review and future developments**

The principal activity of the Company is the wholesaling and distribution of paper, sign and display products and plastics. The directors do not envisage any changes in this activity in the foreseeable future.

The directors consider that the principal risks and uncertainties faced by the company are in the following categories:

#### *Economic risks*

- Further contraction in markets due to severe economic downturn
- Withdrawal of funding from parent entity
- Customer access to bank credit facilities
- Online media decreasing demand for paper media
- Exchange rate volatility

#### *Competition risk*

- The directors of the Company manage competition risk through close attention to customer service level and product innovation.

#### *Financial risk*

- The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

### **Results and dividends**

The profit and loss account is set out on page 7. The results for the year reflects unprecedented contraction in all markets serviced. We have made significant cost base reductions to better align costs to revenue being earned.

The directors do not propose the payment of a dividend.

# Paperlinx Ireland Limited

## Directors' report (continued)

### Directors and secretary and their interests

The directors and secretary who held office at 30 June 2011 are listed on page 1 and had no interests in the shares of the Company or group companies. The Company is a member of the Paperlinx group which is based in Australia.

The Paperlinx group operates a share option scheme and the directors have options to acquire shares in Paperlinx Limited, the company's ultimate parent undertaking.

Details of directors' interests in options are as follows:

Director	Beginning of year	Number of options held		End of year
		Granted	Exercised	
David Allen	206,950	27,418	-	234,368
Phil Carr	28,520	22,080	-	50,600
Michael Callaghan	16,140	10,598	-	26,738

The market price of the shares at 30 June 2011 was AUSD0.16 and the range of values during the year was AUSD0.10 to AUSD0.66.

### Political donations

During the year, the Company made no disclosable political donations in accordance with the Electoral Act 1997.

### Accounting records


The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account are maintained at Fonthill Business Park, Fonthill Road, Dublin 22.

### Auditor

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the board

  
Phil Carr  
Director

  
Enda Brophy  
Director

28 May 2012

# Paperlinx Ireland Limited

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and 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 Generally Accepted Accounting Practice in Ireland, comprising applicable company law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible 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.

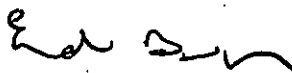
The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2009.

On behalf of the board

Phil Carr  
Director



Enda Brophy  
Director





**KPMG**  
**Chartered Accountants**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

## Independent auditor's report to the members of Paperlinx Ireland Limited

We have audited the financial statements of Paperlinx Ireland Limited for the year ended 30 June 2011 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditor's 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 auditor**

The Statement of Directors Responsibilities on page 4 sets out the directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider implications for our report if we become aware of any apparent misstatements within it.



## Independent auditor's report to the members of Paperlinx Ireland Limited *(continued)*

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

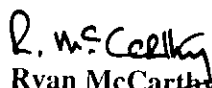
- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

### *Other matters*

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 9, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

  
Ryan McCarthy  
~~for and on behalf of~~  
KPMG

Chartered Accountants, Statutory Audit Firm  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
Ireland

28 May 2012



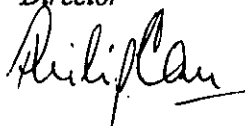
# Paperlinx Ireland Limited

Profit and loss account  
for the year ended 30 June 2011

	Notes	2011 €	2010 €
<b>Turnover - continuing operations</b>	2	23,410,107	24,032,162
Cost of sales		(18,404,363)	(18,444,893)
<b>Gross profit</b>		5,005,744	5,587,269
Administrative expenses		(7,010,562)	(7,797,492)
<b>Total operating loss</b>		(2,004,818)	(2,210,223)
Exceptional item – impairment of fixed assets	3	(2,509,364)	-
<b>Loss on ordinary activities before interest</b>	3	(4,514,182)	(2,210,223)
Other finance cost	4	(30,879)	(141,052)
<b>Loss on ordinary activities before taxation</b>		(4,545,061)	(2,351,275)
Tax on loss on ordinary activities	6	(70,625)	(28,604)
<b>Loss for the financial year</b>		(4,615,686)	(2,379,879)

On behalf of the board

Phil Carr  
Director



Enda Brophy  
Director



# Paperlinx Ireland Limited

## Statement of total recognised gains and losses for the year ended 30 June 2011

	<i>Notes</i>	2011 €	2010 €
<b>Loss for the financial year</b>		<b>(4,615,686)</b>	<b>(2,379,879)</b>
Actuarial gain/(loss) on defined benefit pension scheme		243,000	(401,000)
Related movement on deferred tax		(30,375)	50,125
		<hr/>	<hr/>
<b>Total recognised losses relating to the year</b>	<i>16</i>	<b>(4,403,061)</b>	<b>(2,730,754)</b>
		<hr/> <hr/>	<hr/> <hr/>

# Paperlinx Ireland Limited

## Balance sheet as at 30 June 2011

	Notes	2011 €	2010 €
<b>Fixed assets</b>			
Tangible assets	7		2,557,303
Financial assets	8	12,598,000	12,598,000
		<u>12,598,000</u>	<u>15,155,303</u>
<b>Current assets</b>			
Stocks	9	1,999,316	1,923,537
Debtors	10	10,622,631	15,041,785
Cash at bank and in hand		815,076	1,444,410
		<u>13,437,023</u>	<u>18,409,732</u>
<b>Creditors: amounts falling due within one year</b>	11	(15,997,158)	(18,416,109)
<b>Net current assets</b>		<u>(2,560,135)</u>	<u>(6,377)</u>
<b>Total assets less current liabilities</b>		<u>10,037,865</u>	<u>15,148,926</u>
<b>Pension liability</b>	13	(972,000)	(1,680,000)
<b>Net assets</b>		<u>9,065,865</u>	<u>13,468,926</u>
<b>Capital and reserves</b>			
Called up share capital	14	253,948	253,948
Capital contributions	18	21,907,540	21,907,540
Profit and loss account	15	(13,095,623)	(8,692,562)
<b>Shareholders' funds</b>	16	<u>9,065,865</u>	<u>13,468,926</u>

On behalf of the board

Phil Carr  
Director



Enda Brophy  
Director



# Paperlinx Ireland Limited

## Notes

*forming part of the financial statements*

### 1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered relevant in relation to the company's financial statements.

#### **Basis of preparation**

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, modified by the revaluation of land and buildings, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by The Institute of Chartered Accountants in Ireland.

At 30 June 2011, the Company had a net current liability position of €2,560,135 which is supported by loans from the Company's subsidiaries. A loss after tax of €4,615,686 was made in the year, however trading in the current year has improved on the year ended 30 June 2011. The directors have considered the funding requirements of the Company and the directors believe that the Company will have sufficient cash to meet its liquidity requirements for at least twelve months from the date of approval of these financial statements. The directors have received undertakings that the Company's parent will continue to provide funding to the Company should it be required. The directors also note that PaperlinX Investments (Europe) Limited has given certain guarantees to the lessor in respect of the obligations of the Company under the operating lease agreement.

#### **Turnover**

Turnover comprises the amount recoverable from customers for goods and services supplied, excluding value added tax.

#### **Tangible fixed assets and depreciation**

Fixed assets are shown at original historic cost or valuation, less accumulated depreciation. Depreciation is calculated to write off the original cost or valuation of tangible fixed assets over their expected useful lives as follows:

Leasehold improvements	-	25 - 40 years
Plant and machinery	-	25 years
Fixtures and fittings	-	Between 5 -13 years
Motor vehicles	-	5 years
Computer equipment	-	Between 2.5 - 10 years

#### **Leased assets**

Tangible assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

# Paperlinx Ireland Limited

## Notes *(continued)*

### 1 Statement of accounting policies *(continued)*

#### **Stocks**

Stocks are stated at the lower of cost and estimated net realisable value.

Cost includes invoice price less supplier discounts. Net realisable value comprises the actual or estimated selling price (net of trade discounts) less further estimated costs to be incurred in marketing, selling and distribution.

#### **Financial fixed assets**

Financial fixed assets are shown at cost less provisions for impairments in value. Income from financial fixed assets is recognised in the profit and loss account in the year in which it is receivable.

#### **Pensions**

The company provides pensions to its employees under a defined benefit scheme and a defined contribution scheme.

##### *Defined Benefit scheme*

For the defined benefit scheme, the difference between the market value of the scheme's assets and the actuarially assessed present value of the scheme's liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet, net of deferred tax (to the extent that it is recoverable).

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year.

The expected return on the pension scheme's assets during the year, the increase in the scheme's liabilities during the year and the increase in the scheme's liabilities due to the unwinding of the discount during the year are shown as financing costs in the profit and loss account.

Any difference between the expected return on assets and that actually achieved and any changes in the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

##### *Defined Contribution scheme*

The regular cost of providing benefits in the defined contribution scheme is charged to operating profit over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Variations from regular costs arising from periodic actuarial valuations are allocated to operating profit over the expected remaining service lives of the members.

# Paperlinx Ireland Limited

## Notes *(continued)*

### 1 Statement of accounting policies *(continued)*

#### **Taxation**

Current tax is provided 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 where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments 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.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account. The functional currency is the euro.

#### **Consolidated accounts**

The company is a subsidiary of an Australian parent preparing its consolidated financial statements under IFRS in an equivalent manner to the EU Seventh Directive and is therefore exempt from the requirement to prepare consolidated financial statements by virtue of Regulation 9A of the European Communities (Company: Group Accounts) Regulations, 1992. Consequently, these financial statements deal with the results of the Company as a single entity.

#### **Cash flow statement**

The directors have availed of the exemption contained in Financial Reporting Standard 1 and, accordingly, no cash flow statement is presented.

### 2 Turnover

Turnover arises from the wholesale and distribution of paper and signage material within the Republic of Ireland.

# Paperlinx Ireland Limited

Notes (continued)

<b>3 Operating loss is stated after charging:</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Directors' remuneration		
- Fees	-	-
- Other remuneration	128,244	347,988
Depreciation of tangible assets	218,340	243,634
Auditor's remuneration	45,000	50,000
Impairment of fixed assets	2,509,364	-
	<u>2,509,364</u>	<u>-</u>

An impairment charge of €2,509,364 was recognised in 2011 in relation to the fixed assets of Paperlinx Ireland Limited.

<b>4 Other finance income</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Other finance cost relating to pension scheme (note 13)	(33,000)	(75,000)
Intercompany interest receivable/(payable)	2,121	(66,052)
	<u>(30,879)</u>	<u>(141,052)</u>

## 5 Staff numbers and costs

The average number of persons employed by the Company (including executive directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2011</b>	<b>2010</b>
Sales	16	26
Distribution	27	27
Administration	16	16
	<u>59</u>	<u>69</u>

# Paperlinx Ireland Limited

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2011 €	2010 €
Wages and salaries	2,510,627	3,334,665
Social welfare costs	265,376	303,965
Other pension costs	212,581	202,743
	<hr/>	<hr/>
	<b>2,988,584</b>	<b>3,841,373</b>
	<hr/> <hr/>	<hr/> <hr/>

### 6 Tax on profit on ordinary activities

	2011 €	2010 €
Analysis of tax charge:		
Current tax charge	-	-
Adjustments relating to an earlier period	-	22,104
Deferred tax movement in respect of pension	70,625	6,500
	<hr/>	<hr/>
	<b>70,625</b>	<b>28,604</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	<b>(4,545,061)</b>	<b>(2,351,275)</b>
	<hr/>	<hr/>
Current tax at 12.5% (2010: €12.5%)	<b>(568,133)</b>	<b>(293,909)</b>
Non deductible items for tax purposes	<b>316,892</b>	11,666
Capital allowances in excess of depreciation	<b>(7,463)</b>	<b>(2,826)</b>
Items taxed at higher rate	<b>209</b>	<b>838</b>
Timing differences	<b>(61,045)</b>	<b>(55,556)</b>
Losses carried forward	<b>319,450</b>	<b>339,787</b>
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

The Company has €9,834,671 (2010: €7,278,360) of unrecognised trading losses available at 30 June 2011. A deferred tax asset has not been recognised in relation to these losses as it is not currently considered probable that these losses will be utilised.



# Paperlinx Ireland Limited

## Notes (continued)

7 Tangible fixed assets	Leasehold improvements €	Motor vehicles €	Plant and machinery €	Computer equipment €	Fixtures and fittings €	Total €
<i>Cost</i>						
At beginning of year	1,388,764	440,532	1,163,536	1,377,819	145,473	4,516,123
Additions	389	-	-	167,892	2,692	170,973
Disposals	(103)	(350,504)	(304,678)	(538,437)	(42,790)	(1,236,512)
Impairment	(1,389,050)	(90,028)	(858,858)	(1,007,274)	(105,375)	(4,686,525)
<b>At end of year</b>	-	-	-	-	-	-
<i>Depreciation</i>						
At beginning of year	106,839	440,532	555,456	795,493	60,501	1,958,821
Charge for year	45,681	-	67,506	96,757	8,786	218,730
Disposals	-	(350,504)	(304,599)	(538,437)	(42,790)	(1,236,330)
Impairment in year	1,236,530	-	540,495	653,461	78,878	2,509,364
Impairment losses	(1,389,050)	(90,028)	(858,858)	(1,007,274)	(105,375)	(4,686,525)
<b>At end of year</b>	-	-	-	-	-	-
<i>Net book values</i>						
<b>At 30 June 2011</b>	-	-	-	-	-	-
At 30 June 2010	1,281,925	-	608,080	582,326	84,972	2,557,303

# Paperlinx Ireland Limited

Notes (continued)

## 8 Financial fixed assets

Shares in  
group  
undertakings  
€

### *Cost or valuation*

At beginning and end of year

12,598,000

The Company had three 100% owned Irish registered subsidiary undertakings at 30 June 2010 and 30 June 2011 as follows:

- Contact Papers Limited
- Paper Sales Limited
- Supreme Paper Company Limited

The subsidiaries have registered offices at No. 10 Fonthill Business Park, Fonthill Road, Dublin 22. They were dormant during the year ended 30 June 2011.

### *Results*

The investees' year ends are 30 June 2011 at which date:

	Capital and reserves at 30 June 2011 amounted to: €	Profit/(loss) for the year ended 30 June 2011 amounted to: €
Supreme Paper Company Limited	3,222,261	-
Contact Papers Limited	8,018,226	-
Paper Sales Limited	1,357,516	-

In the opinion of the directors, the investments in the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

# Paperlinx Ireland Limited

## Notes (continued)

9 Stocks	2011 €	2010 €
Goods for resale	1,999,316	1,923,537

Stocks represent finished goods for resale. The replacement cost does not differ significantly from the amount shown.

10 Debtors	2011 €	2010 €
<i>Amounts falling due within one year</i>		
Trade debtors	8,683,141	9,516,257
Amount owed by group undertakings	1,564,856	4,878,528
Prepayments and accrued income	369,885	531,856
Other debtors	4,749	115,144
	<u>10,622,631</u>	<u>15,041,785</u>

11 Creditors: amounts falling due within one year	2011 €	2010 €
Trade creditors	1,866,883	3,562,726
Amounts owed to group undertakings (1)	13,195,667	13,424,968
Other creditors including tax and social welfare	488,630	412,646
Accruals and deferred income	445,978	1,015,769
	<u>15,997,158</u>	<u>18,416,109</u>
Tax and social welfare included in other creditors:		
PAYE/PRSI	68,982	83,758
VAT	419,648	328,888
	<u>488,630</u>	<u>412,646</u>

### Note (1)

Amounts owed to group undertakings includes €12,598,000 due to subsidiaries in respect of the transfer of the trades, assets and liabilities of Contact Papers Limited, Supreme Paper Company Limited and Paper Sales Limited.

# Paperlinx Ireland Limited

## Notes (continued)

### 12 Guarantee

The Paper Company, a group company, has guaranteed liabilities of the company up to €1.7m, in favour of Ulster Bank Ireland Limited.

### 13 Pension information

The company operates a defined contribution scheme and a defined benefit scheme.

#### *Defined benefit scheme*

The pension entitlements of certain employees arise under a defined benefit pension scheme. Annual contributions are based on the advice of a professionally qualified actuary.

An actuarial valuation of the scheme was last performed at 1 January 2010. The company expects to contribute approximately €111,263 to its defined benefit plan in the next financial year.

The curtailment gain of €504,000 reflects the change in liabilities of the scheme following a curtailment which was calculated based on member details supplied following the ceasing of accruals of benefits from 31 May 2011.

The valuation of the funded defined benefit scheme used for the purpose of FRS 17 disclosures has been based on the most recent actuarial valuation as identified above. Scheme assets are stated at their market value at the balance sheet date.

Valuation method	30 June 2011 Projected unit	30 June 2010 Projected unit
Discount rate	5.50%	5.20%
Inflation rate	2.00%	2.00%
Increase to pensions in payment	3.00%	3.00%
Salary increases – funded schemes	n/a	3.50%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on the standard mortality tables and include allowance for improvement in longevity. The assumptions are equivalent to a 65 year old to live for a number of year as follows:

- Current pensioner aged 65: 21.4 years (male) and 23.1 years (female)
- Future retiree (currently aged 40) upon reaching 65: 25.8 years (male) and 27.6 years (female)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The actual scheme amounts at which the scheme liabilities will ultimately be settled may differ from the liabilities calculated under FRS 17, which are based on long term rates.

# Paperlinx Ireland Limited

## Notes (continued)

### 13 Pension information (continued)

The market value of the assets in the pension scheme and the expected rates of return were:

	Long term rate of return expected at 30 June 2011	Value at 30 June 2011 €	Long term rate of return expected at 30 June 2010	Value at 30 June 2010 €
Equities	8.5%	2,309,000	8.3%	2,250,000
Bonds	4.5%	367,000	4.3%	495,000
Other	1.3%	167,000	1%	94,000
Property	7.0%	122,000	7.3%	131,000
		<hr/>		<hr/>
Total market value of pension scheme assets		2,965,000		2,970,000
Present value of funded pension liabilities		(4,076,000)		(4,890,000)
		<hr/>		<hr/>
Net deficit in pension scheme		(1,111,000)		(1,920,000)
Related deferred tax assets		139,000		240,000
		<hr/>		<hr/>
Net pension liability		(972,000)		(1,680,000)
		<hr/>		<hr/>
Analysed as:				
Net pension asset		2,965,000		2,970,000
Net pension liability		(4,076,000)		(4,890,000)
Related deferred tax asset		139,000		240,000
		<hr/>		<hr/>
Total net retirement benefit deficit		(972,000)		(1,680,000)
		<hr/>		<hr/>

The expected rates of return on plan assets is a blended average of projected long-term returns for the various asset classes. Equity returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt.

# Paperlinx Ireland Limited

## Notes (continued)

### 13 Pension information (continued)

The following are the amounts that have been included in the profit and loss account and the Statement of Total Recognised Gains and Losses:

	2011	2010
	€	€
<b><i>Included in payroll costs:</i></b>		
Current service costs	125,000	161,000
	<u>          </u>	<u>          </u>
<b><i>Included in finance costs:</i></b>		
Interest costs	(237,000)	(259,000)
Expected return on assets	204,000	184,000
	<u>          </u>	<u>          </u>
<b>Net finance expense</b>	<b>(33,000)</b>	<b>(75,000)</b>
	<u>          </u>	<u>          </u>
<b><i>Included in statement of total recognised gains and losses:</i></b>		
Difference between expected and actual return on assets	176,000	250,000
Experience gains and losses on scheme liabilities	(177,000)	(144,000)
Effect of changes in actuarial assumptions	244,000	(507,000)
	<u>          </u>	<u>          </u>
<b>Actuarial gain/(loss) recognised in statement of recognised gains and losses</b>	<b>243,000</b>	<b>(401,000)</b>
	<u>          </u>	<u>          </u>
<b><i>Movement in deficit during year</i></b>		
Deficit in scheme at beginning of year	(1,920,000)	(1,571,000)
Current service cost	(125,000)	(161,000)
Contributions paid	220,000	288,000
Other finance expense	(33,000)	(75,000)
Actuarial gain/(loss)	243,000	(401,000)
	<u>          </u>	<u>          </u>
<b>Deficit in scheme at end of the year</b>	<b>(1,111,000)</b>	<b>(1,920,000)</b>
	<u>          </u>	<u>          </u>

# Paperlinx Ireland Limited

## Notes (continued)

### 13 Pension information (continued)

<b>Movement in present value of defined benefit obligation</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
At beginning of year	4,890,000	4,070,000
Service cost	125,000	161,000
Employee contributions	53,000	50,000
Interest cost	237,000	259,000
Experience loss	177,000	144,000
Changes in assumptions	(244,000)	507,000
Benefits paid	(658,000)	(301,000)
Curtailment gain	(504,000)	-
	<b>4,076,000</b>	<b>4,890,000</b>

### Movement in fair value of plan assets

At beginning of year	2,970,000	2,499,000
Expected return	205,000	183,000
Actual return less expected return on assets	176,000	250,000
Contributions	272,000	339,000
Benefits paid	(658,000)	(301,000)
	<b>2,965,000</b>	<b>2,970,000</b>

<i>History of actuarial gains and losses</i>	<b>2011</b>	2010	2009	2008
Difference between expected and actual return on assets expressed as a percentage of scheme assets	<b>5.9%</b>	8.4%	(43.6%)	(38.3%)
Experience gains and losses on scheme liabilities expressed as a percentage of scheme liabilities	<b>(4.1%)</b>	(2.9%)	2.8%	(1.0%)
Total actuarial gains and losses expressed as a percentage of scheme liabilities	<b>6.2%</b>	(8.2%)	(21.2%)	13.2%

# Paperlinx Ireland Limited

## Notes (continued)

### 13 Pension information (continued)

Cumulative actuarial losses reported in statement of total gains and losses for the year ended 30 June 2011 is €1,040,834 (2010: €1,283,834).

#### History of plans

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

Balance sheet	2011 €	2010 €	2009 €
Present value of scheme liabilities	(4,076,000)	(4,890,000)	(4,070,000)
Fair value of scheme assets	2,965,000	2,970,000	2,499,000
	-----	-----	-----
Deficit	(1,111,000)	(1,920,000)	(1,571,000)
	=====	=====	=====
Experience adjustment on scheme liabilities (as a % of scheme liabilities)	(177,000) (4.3%)	(144,000) (2.9%)	112,000 2.8%
	=====	=====	=====
Experience adjustment on scheme assets (as a % of scheme assets)	176,000 5.9%	250,000 8.4%	(1,090,000) (43.6%)
	=====	=====	=====

#### Defined Contribution Scheme

The company contributes to a defined contribution pension scheme covering certain permanent employees. The pension charge for the year relating to this scheme amounted to €114,461 (2010: €114,461). The pension contribution not paid into the scheme of year end was €9,214.

14 Called up share capital	2011 €	2010 €
<i>Authorised</i>		
200,000 ordinary shares of €1.269738 each	253,948	253,948
	=====	=====
<i>Allotted, called up and fully paid</i>		
200,000 ordinary shares of €1.269738 each	253,943	253,948
	=====	=====



# Paperlinx Ireland Limited

## Notes (continued)

<b>15 Profit and loss account</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
At beginning of year	(8,692,562)	(5,961,808)
Total recognised gains and losses in the year	(4,403,061)	(2,730,754)
	<hr/>	<hr/>
<b>Deficit at end of year</b>	<b>(13,095,623)</b>	<b>(8,692,562)</b>
	<hr/>	<hr/>
<b>16 Reconciliation of movements in shareholders' funds</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Opening shareholders' funds	13,468,926	16,199,680
Total recognised gains and losses for the year	(4,403,061)	(2,730,754)
	<hr/>	<hr/>
Closing shareholders' funds	(9,065,865)	13,468,926
	<hr/>	<hr/>

## 17 Leasing commitments

At 30 June 2011, the Company had annual commitments under non-cancellable operating leases as follows:

	<b>Property leases</b>	
	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Expiring:		
More than five years	832,896	832,896
	<hr/>	<hr/>

A reduction in the contractual lease commitment was negotiated from 1 July 2011 to 31 December 2012, reducing the lease commitment to €693,696. PaperlinX Investments (Europe) Limited, a group company, has given certain guarantees to the lessor in respect of the obligations of the Company under the operating lease above.

# Paperlinx Ireland Limited

Notes (continued)

## 17 Leasing commitments (continued)

	2011	Other	2010
	€		€
Expiring:			
Within one year	160,239		65,449
Between one and two years	123,004		153,493
Between two and five years	19,657		84,938
	<hr/>		<hr/>
	302,900		303,880
	<hr/> <hr/>		<hr/> <hr/>

The commitments disclosed above include commitments in the name of other group companies, including the property lease in the name of DM Paper Limited.

## 18 Capital contributions

Capital contributions from group undertakings are unconditional and do not result in the granting of any rights, or the assumption of any obligations, by the Company in favour of group undertakings.

## 19 Related party transactions

The company has availed of the exemption available in FRS8 - Related Party Disclosures from disclosing transactions with group undertakings. Details on the availability of group consolidated financial statements are given in note 20.

## 20 Ultimate parent undertaking/controlling party

The company's parent company is PaperlinX Ireland Holdings, whose ultimate parent is PaperlinX Limited, which is incorporated in Australia.

The smallest and largest group in which the results of the company are consolidated is that headed by PaperlinX Limited. The financial statements of PaperlinX Limited are available to the public from 307 Ferntree Gully Road, Mt Waverley VIC 3149, Australia.

## 21 Approval of financial statements

The directors approved the financial statements on 28 May 2012.