

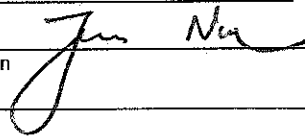
PaperlinX A/S

Annual Report 2013/14

The annual report has been presented and approved
at the annual general meeting

on 26. 11 20 14

Chairman



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	4
Company details	4
Financial highlights	5
Operating review	6
Financial statements 1 July – 30 June	11
Basis of accounting	11
Income statement	17
Balance sheet	18
Cash flow statement	20
Notes	21

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of PaperlinX A/S for the financial year 1 July 2013 – 30 June 2014.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 30 June 2014 and of the results of the Company's operations and cash flows for the financial year 1 July 2013 – 30 June 2014.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial conditions, the results for the year and financial position.

We recommend that the annual report be approved at the annual general meeting.

Holstebro, 26 November 2014

Executive Board

Jørgen Nielsen

CEO

Bjarne Lunding

CFO

Bjarne Oldager

Kusnitzoff

CSO

Board of Directors:

Andrew John Price

Chairman

Joost Willem Peter
Smallenbroek

Jørgen Nielsen

CEO

Maria Pedersen

Poulsgaard

Elected by the

employees

Arne Sørensen

Elected by the

employees

Independent auditors' report

To the shareholders of PaperlinX A/S

Independent auditors' report on the financial statements

We have audited the financial statements of PaperlinX A/S for the financial year 1 July 2013 – 30 June 2014. The financial statements comprise accounting policies, income statement, balance sheet, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2014 and of the results of the Company's operations and cash flows for the financial year 1 July 2013 – 30 June 2014 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 26 November 2014

KPMG 2014 P/S

Godkendt Revisionspartnerselskab

Anette Harritz
State Authorised
Public Accountant

Management's review

Company details

PaperlinX A/S
Bastrupgaardvej 8-10
DK-7500 Holstebro

Telephone: +45 70 10 33 66
Telefax: +45 96 10 57 01
Website: www.paperlinx.dk

CVR No.: 36 09 92 16
Registered office: Holstebro

Financial year

1 July – 30 June

Board of Directors

Andrew John Price, Chairman
Joost Willem Peter Smallenbroek
Jørgen Nielsen
Maria Pedersen Poulsen
Arne Sørensen

Executive Board

Jørgen Nielsen
Bjarne Lunding
Bjarne Oldager Kusnitzoff

Auditors

KPMG 2014 P/S
Godkendt Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Bankers

Nordea Bank Danmark A/S
Østergade 4-6
DK-7400 Herning

Management's review

Financial highlights

DKK'000	2013/14	2012/13	2011/12	2010/11	2009/10
Key figures					
Revenue	611,236	604,526	634,631	667,553	663,973
Gross profit	84,099	86,408	94,541	94,283	78,485
Profit/loss before financial income and expenses	6,247	2,082	8,354	6,649	-28,377
Financial income and expenses, net	-992	102	743	265	-1,947
Profit/loss before tax	5,255	2,184	9,097	6,914	-30,325
Profit/loss for the year	4,033	727	6,410	4,765	-23,311
Balance sheet total	195,805	211,185	215,127	219,755	224,653
Equity	114,607	128,574	127,848	121,437	116,673
Investment in property, plant and equipment	930	768	1,306	1,729	3,018
Average number of full-time employees	154	169	179	187	224

Financial ratios

Gross margin	13,76%	14,29%	14,90%	14,12%	11,82%
Operating margin	0,86%	0,36%	1,43%	1,04%	-4,57%
Return on invested capital	3,07%	0,98%	3,84%	2,99%	-12,24%
Solvency ratio	58,53%	60,88%	59,43%	55,26%	51,93%
Return on equity	3,32%	0,57%	5,14%	4,00%	-25,36%
Revenue per employee	3,969	3,577	3,545	3,570	2,964

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Profit/loss before tax} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Average balance sheet total}}$
Solvency ratio	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

Management's review

Operating review

Principal activities

PaperlinX A/S operates within two main areas in Scandinavia, i.e. PaperlinX Packaging, which sells products and services for office use and packaging, and PaperlinX VTS, which sells and services products within print media, vinyl, board and machinery.

Our mission is to develop Scandinavia's leading trading company within our line of business relying on sound partnerships with our customers and suppliers.

Based on our broad product portfolio and close interaction with our customers, we will develop solutions which both strategically and operationally are in line with market demand.

Development in activities and financial position

Profit for the year

Compared to last year, PaperlinX Packaging enjoyed stable sales of packaging for industrial use and catering. At the end of the financial year, we concluded a procurement and logistics contract with Office Supply Denmark, and together with representatives from this organisation, we now hold a strong position within office supplies.

PaperlinX VTS' sales to the Sign and Display segment were stable compared to last year. Synergies and optimisation produced from interaction with the affiliated company, PaperlinX AB, came into place during the year under review, and our business is therefore ready for further growth within this segment.

The sales organisation underwent restructuring during last year. During the year under review, we assessed the need for further restructuring and recognised an amount of DKK 3,458,322 for restructuring. In addition, we have given our training programme a high priority, which has both strengthened our organisation and our ability to execute important projects.

The Company reported a profit of DKK 4,032,543, which was approx. DKK 3.3 million up on last year. The Board of Directors consider the profit for the year satisfactory.

At the beginning of the financial year, we concluded a credit agreement with Nordea A/S containing a financing arrangement independent of the rest of the PaperlinX Group. We only made limited use of this facility during the year under review and primarily financed operations using excess liquidity. Accordingly, the credit agreement holds room for additional growth and investments.

The Board of Directors recommends to the general meeting that dividends of DKK 4.0 million be distributed for the financial year.

Outlook

The macroeconomic impact on our business will presumably remain challenging, and our markets are likely to produce flat growth rates.

Management's review

Operating review

We expect to post improved results for the next financial year.

Particular risks

Operating risks

No special operating risks are deemed to exist.

Market risks

The Company operates primarily within mature markets and relies primarily on general market trends.

Currency risks

The Company sells the vast part of its products on the Danish market and uses the Danish krone as its settlement currency.

Purchases are made in other currencies, however, primarily in DKK and EUR.

Interest rate risks

With the current capital structure, interest rate risks remain low.

Credit risks

No individual customer or business partner pose any major risk to the Company. The Company's credit risk policy ensures that all major customers and other business partners are regularly credit rated.

Subsequent events

No events have occurred after the balance sheet date significantly affecting the assessment of the annual report.

Corporate social responsibility and environment

PaperlinX A/S does not have a policy for corporate social responsibility and human rights.

However, the Company actively strives to lay down guidelines and targets to continuously optimise its environmental and corporate social responsibility.

Management's review

Operating review

For this purpose, we comply with the parent company's policies within specific areas, including:

- Competition compliance programmes, where employees with client-facing and/or supplier-facing positions takes part in annual programme ensuring compliance with group guidelines for sound business practice and thereby compliance with international rules on behaviour in relation to contracting.
- We carry out inspections of our inventories each month in order to locate any dangers and thereby prevent accidents. The parent company goes through the findings from the inspections several times a year.
- We are still working with the Great Place to Work Institute in order to survey employee satisfaction and to benchmark us against similar companies in Denmark. This co-operation and surveys give PaperlinX A/S an outline of its strengths and key action areas, allowing the Company to prioritise subsequent focus areas and measures for the entire organisation.

During the year under review, our management training programme, which relies on the employee satisfaction surveys, was given a high degree of focus. Each manager has gone through a coaching programme and has prepared personal statements in relation to the management philosophy.

This year, descriptions of functions and tasks have particularly been used in the commercial departments, which have gone through a training programme to strengthen competence development.

As part of our KPI reporting, we continuously keep track of absence, performance reviews and staff turnover. Together physical and psychological workplace assessments, this provides a basis for action plans and measures to continuously boost employee satisfaction at PaperlinX A/S.

Environmental impact

The objective of corporate sustainability is, based on our customers' desires and requirements, to be able to constantly supply products meeting our customers' environmental requirements to the highest possible degree.

Our regular assessment of suppliers and products has environmental and social sustainability as an important parameter, and we actively encourage our suppliers to prioritise environmental and social sustainability in their production. In addition, our key suppliers are required to comply with global environmental standards, the UN's world declaration about human rights and the REACH regulations.

Management's review

Operating review

ISO 14001 and ISO 9001 certifications are cornerstones of the Company's vision and strategy for sustainability and quality. The strategy is based on wishes advanced by strategically chosen medium-sized and large customers in our customer portfolio and is supported throughout the entire PaperlinX A/S. Our intentions are i.a. laid down in "PaperlinX A/S policy on sustainability throughout the entire supply chain".

At the end of the financial year, our certifications for ISO 14001 and ISO 9001 were renewed through an extended audit by Bureau Veritas.

In 2013/2014, we drafted specific and ambitious targets within the following main categories:

- | | |
|---|----------------------|
| • Optimise sales and distribution to reduce environmental impact | Target met |
| • Offer more products and product solutions which reduce environmental impact | Target partially met |
| • Continuously low environmental impact of company cars | Target met |
| • Optimisation of energy consumption and waste sorting. | Target not met |

ISO certifications are supported by an implemented management system documenting processes, activities and competencies of ongoing activities within the relevant area.

We have defined the following environmental targets for 2014/15:

- Further optimisation of our sales and distribution solutions to reduce environmental impact
- Green products are to account for 10% of our product portfolio.

Targets and policies for the underrepresented sex

In line with the parent company's policies and targets, we aim to meet a 25% target for women in leadership positions by 30 June 2016.

The following quotas of women in leadership positions:

Board of Directors:	20%
Executive Board	0%
Management team:	33%

Furthermore, the Board of Directors targets an ambitious plan, encouraging the nomination of eligible female candidates at the next election of board members by the employees. At the same time, the Board of Directors will, no later than at the annual general meeting for 2016,

Management's review

Operating review

strive to replace board members elected by the Group at a rate ensuring that the underrepresented sex is represented by a minimum of 40% on the Board of Directors.

Branch abroad

At 1 July 2013, the Company sold the branch, PaperlinX Scandinavia in Sölvesborg, Sweden, to the affiliated company, PaperlinX AB, Sweden. The sale does not materially affect the Company's financial statements and activity level.

Financial statements 1 July – 30 June

Basis of accounting

The annual report for 2013/14 of PaperlinX A/S has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Pursuant to section 96 (3) of the Danish Financial Statements Act, executive remuneration has not been disclosed.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies which remain unsettled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the exchange rates at the transaction date are recognised in the income statement as financial income or financial expenses.

Tax and deferred tax

The company is jointly taxed with PaperlinX Denmark Holding ApS. Current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

Tax on profit/loss for the year, which consists of tax for the year and changes in deferred tax, is recognised in the income statement with the amount that can be attributed to profit/loss for the year, and on equity with the amount that can be attributed to transactions directly on equity.

Tax is calculated at the current tax rate for the year.

Current tax payable and receivable is recognised in the balance sheet as calculated tax on profit/loss for the year, adjusted for tax on the taxable income of earlier years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on planned use of the asset or settlement of the liability, respectively.

Financial statements 1 July – 30 June

Accounting policies

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustments of deferred tax will be made concerning elimination of unrealised inter-company profit and losses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue provided that delivery and transfer of risk to the buyer have taken place before year end. Revenue is measured excluding VAT and duties and less discounts granted in relation to the sale.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the purchase of goods for resale and costs incurred in generating revenue.

Other external costs

Other external costs comprise i.a. costs of premises, sales and distribution, office supplies, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc. attributable to the Company's employees. Refunds from public authorities have been deducted from staff costs.

Depreciation/amortisation and impairment losses

Depreciation/amortisation and impairment losses comprises depreciation/amortisation of intangible assets and property, plant and equipment for the year.

Other operating income and other operating costs

Other operating income and other operating costs comprise items secondary to the activities of the Company, including gains on disposal of intangible assets and property, plant and equipment.

Financial statements 1 July – 30 June

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs arising from finance leasing, realised and unrealised foreign exchange gains and losses as well as surcharges and refunds under the on-account tax scheme, etc.

Balance sheet

Intangible assets

Software licenses are measured at the lower of cost less accumulated amortisation and impairment losses and at the recoverable amount. Software licenses are amortised over 2.5 years.

Goodwill is amortised on a straight-line basis over the estimated useful lives determined on the basis of Management's experience within the individual areas. The amortisation period amounts to a maximum of 20 years and is longest for strategically acquired enterprises with a strong market position and a long earnings profile.

Property, plant and equipment

Leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Plant and machinery as well fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition as well as costs of preparation.

The basis of depreciation, which is calculated as cost less any projected residual values and impairment losses, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	Max. 10 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	5-10 years
IT equipment	3-5 years

Depreciation of a non-current asset commences when put into service.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised as operating income and operating costs, respectively, in the income statement.

Financial statements 1 July – 30 June

Accounting policies

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of forecast cash flows from the use of the asset or the group of assets and forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Impairment losses on intangible assets and property, plant and equipment are expensed under the same item as the relevant amortisation/depreciation.

Leases

Leases for property, plant and equipment that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are initially recognised on the balance sheet at fair value if this is available. Alternatively, if this is lower, the net present value of future lease payments at the date of acquisition is used. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated and written down as the Company's other non-current assets.

The capitalised residual lease obligation is recognised as a liability on the balance sheet. The interest element of the lease payment is recognised over the term of the lease in the income statement.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories are stated at the amount expected to be generated from sales in normal operations less costs of sales and completion. Net realisable value is stated considering marketability, obsolescence and development in projected selling price.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Financial statements 1 July – 30 June

Accounting policies

Receivables

Receivables are measured at the lower of amortised cost and net realisable value, corresponding to nominal value less write-down for bad debts. Write-down for bad debts is stated on the basis of individual assessment of the individual receivable and with regard to trade receivables also on the basis of a general write-down based on the Company's experience.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years, including fair value adjustments of derivative financial instruments with positive fair value. This typically involves prepaid expenses relating to rent, insurance premiums, subscriptions and interest.

Equity - dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year (declaration date) is disclosed as a separate item under equity.

Treasury shares

The acquisition of treasury shares are recognised at cost in equity. On subsequent disposal of treasury shares, the selling price is recognised directly in equity.

Provisions

Provisions are recognised when, as a result of events occurred no later than at the balance sheet date, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

Liabilities other than provision

Other liabilities are measured at amortised cost, which, in all essentials, correspond to nominal value.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Financial statements 1 July – 30 June

Accounting policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation and impairment losses and provisions. The working capital comprises current assets less current liabilities excluding items recognised as cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and investments as well as changes in balances with group enterprises.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of non-current liabilities and the payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash less short-term bank loans.

Financial statements 1 July – 30 June

Income statement

	Note	2013/14	2012/13
Revenue	1	611,235,808	604,526,298
Changes in inventories of finished goods and goods for resale		4,025,221	-1,012,196
Other operating income		1,253,291	859,757
Costs of raw materials and consumables		-469,266,819	-453,857,881
Other external costs		-63,148,292	-64,107,486
Gross profit		84,099,209	86,408,492
Staff costs	2	-71,377,814	-78,787,365
Depreciation/amortisation and impairment losses	3	-3,015,965	-2,880,007
Other operating costs	4	-3,458,322	-2,659,274
Profit before financial income and expenses		6,247,108	2,081,846
Financial income	5	354,087	460,649
Financial expenses	6	-1,345,788	-358,336
Profit before tax		5,255,407	2,184,159
Tax on profit for the year	7	-1,222,864	-1,457,525
Profit for the year		4,032,543	726,634
Proposed profit appropriation			
Proposed dividends		4,000,000	18,000,000
Retained earnings		32,543	-17,273,366
		4,032,543	726,634

Financial statements 1 July – 30 June

Balance sheet

	Note	2013/14	2012/13
ASSETS			
Non-current assets			
Intangible assets	8		
Goodwill		4,237,086	4,663,526
Software		1,390,540	2,274,819
		<u>5,627,626</u>	<u>6,938,345</u>
Property, plant and equipment	9		
Plant and machinery		8,424	14,101
Fixtures and fittings, tools and equipment		4,595,526	5,097,496
Leasehold improvements		1,734,368	2,023,133
		<u>6,338,318</u>	<u>7,134,730</u>
Investments	10		
Shares		37,000	0
Total non-current assets		<u>12,002,944</u>	<u>14,073,075</u>
Current assets			
Inventories	11	<u>54,538,352</u>	<u>50,513,131</u>
Receivables			
Trade receivables		114,231,438	111,033,308
Amounts owed by group enterprises		1,782,209	15,214,903
Deferred tax asset	12	5,093,648	6,316,512
Other receivables		877,179	490,859
Prepayments	13	3,435,733	3,128,156
		<u>125,420,207</u>	<u>136,183,738</u>
Cash at bank and in hand		<u>3,843,815</u>	<u>10,415,392</u>
Total current assets		<u>183,802,374</u>	<u>197,112,261</u>
TOTAL ASSETS		<u>195,805,318</u>	<u>211,185,336</u>

Financial statements 1 July – 30 June

Balance sheet

	Note	2013/14	2012/13
EQUITY AND LIABILITIES			
Equity			
Share capital	14	10,004,000	10,004,000
Retained earnings		100,602,848	100,570,305
Proposed dividends		4,000,000	18,000,000
Total equity	15	<u>114,606,848</u>	<u>128,574,305</u>
Provisions			
Other provisions		120,333	142,167
Total provisions	16	<u>120,333</u>	<u>142,167</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		58,778,263	59,189,646
Amounts owed to group enterprises		476,252	0
Other payables		21,823,622	23,279,218
Total liabilities other than provisions		<u>81,078,137</u>	<u>82,468,864</u>
TOTAL EQUITY AND LIABILITIES		<u>195,805,318</u>	<u>211,185,336</u>
Mortgages and collateral	17		
Contractual obligations	18		
Related party disclosures	19		

Financial statements 1 July – 30 June

Cash flow statement

	Note	2013/14	2012/13
Profit/loss for the year		4,032,543	726,634
Adjustments	20	5,285,190	4,279,303
Changes in working capital	21	-9,784,227	-3,090,694
Cash generated from operations (operating activities) before financial income and expenses		-466,494	1,915,243
Interest income received, etc.		354,087	460,649
Interest expense paid, etc.		-1,345,788	-358,336
Cash flows from operating activities		-1,458,195	2,017,556
Acquisition of intangible assets		-55,146	-2,112,816
Acquisition of property, plant and equipment		-930,182	-768,221
Acquisition of investments		-37,000	0
Repayment of loans		0	9,459
Balance with group enterprises		13,908,946	6,561,268
Cash flows from investing activities		12,886,618	3,689,690
Dividends paid		-18,000,000	0
Change in lease obligations		0	-37,504
Cash flows from financing activities		-18,000,000	-37,504
Net cash flows from operating, investing and financing activities		-6,571,577	5,669,742
Cash and cash equivalents at 1 July		10,415,392	4,745,650
Cash and cash equivalents at 30 June, net		3,843,815	10,415,392

Financial statements 1 July – 30 June

Notes

1 Revenue

	2013/14	2012/13
PaperlinX Packaging	516,564,071	514,977,437
PaperlinX Visual Technology Solutions	94,671,737	89,548,861
	<u>611,235,808</u>	<u>604,526,298</u>
Thereof export	<u>19,279,974</u>	<u>17,012,668</u>

2 Staff costs

Wages and salaries	61,368,033	68,471,951
Pensions	4,930,925	5,144,633
Other social security costs	1,426,405	1,467,466
Other staff costs	3,652,451	3,703,315
	<u>71,377,814</u>	<u>78,787,365</u>

Thereof, remuneration of and pensions for the Executive Board and the Board of Directors:

Executive Board	2,139,383	2,894,095
Board of Directors	0	0
	<u>2,139,383</u>	<u>2,894,095</u>

The Executive Board and other senior employees are comprised by bonus schemes based on results for the year, etc. The Board of Directors is paid by the Company or other group enterprises. Remuneration by other group enterprises are settled by intra-group overhead allocations.

Average number of employees	<u>154</u>	<u>169</u>
-----------------------------	------------	------------

3 Depreciation/amortisation and impairment losses

Goodwill	426,440	426,440
Software	939,425	315,160
Plant and machinery	5,677	5,678
Fixtures and fittings, tools and equipment	1,227,834	1,732,427
Leasehold improvements	416,589	400,302
	<u>3,015,965</u>	<u>2,880,007</u>

Financial statements 1 July – 30 June

Notes

	2013/14	2012/13
4 Other operating costs		
Restructuring costs	3,458,322	2,659,274
5 Financial income		
Interest, group enterprises	43,322	156,706
Other financial income	310,765	303,943
	354,087	460,649
6 Financial expenses		
Interest and guarantees, group enterprises	361,695	223,797
Other financial expenses	984,093	134,539
	1,345,788	358,336
7 Tax on profit for the year		
Adjustment of deferred tax	1,220,918	967,451
Adjustment regarding reduction in corporation tax	1,946	490,074
	1,222,864	1,457,525

The effective tax rate is affected by the results reported by the foreign branch, which have not been recognised, and non-deductible costs.

Financial statements 1 July – 30 June

Notes

8 Intangible assets

	Goodwill	Software
Cost at 1 July	8,528,803	6,135,708
Additions for the year	0	55,146
Disposals for the year	0	0
Cost at 30 June	8,528,803	6,190,854
Amortisation at 1 July	3,865,277	3,860,889
Amortisation for the year	426,440	939,425
Reversed amortisation of disposals for the year	0	0
Amortisation at 30 June	4,291,717	4,800,314
Carrying amount at 30 June 2014	4,237,086	1,390,540

9 Property, plant and equipment

	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 July	161,785	25,421,817	4,688,095
Additions for the year	0	802,358	127,824
Disposals for the year	0	640,230	0
Cost at 30 June	161,785	25,583,945	4,815,919
Depreciation at 1 July	147,684	20,324,321	2,664,962
Depreciation for the year	5,677	1,227,834	416,589
Reversed depreciation of disposals for the year	0	563,736	0
Depreciation at 30 June	153,361	20,988,419	3,081,551
Carrying amount at 30 June 2014	8,424	4,595,526	1,734,368

10 Investments

	Shares
Cost at 1 July	0
Additions for the year	37,000
Disposals for the year	0
Cost at 30 June	37,000
Impairment losses at 1 July	0
Reversed impairment losses on disposals for the year	0
Impairment losses at 30 June	0
Carrying amount at 30 June 2014	37,000

Financial statements 1 July – 30 June

Notes

	2013/14	2012/13
11 Inventories		
Goods for resale	<u>54,538,352</u>	<u>50,513,131</u>
12 Deferred tax asset		
Deferred tax at 1 July	6,316,512	7,774,037
Adjustment for the year of deferred tax	<u>-1,222,864</u>	<u>-1,457,525</u>
Deferred tax at 30 June 2014	<u>5,093,648</u>	<u>6,316,512</u>
Deferred tax is attributable to:		
Intangible assets	-620,386	-727,447
Property, plant and equipment	2,555,420	1,992,859
Current assets	548,973	677,270
Provisions	27,556	32,983
Borrowing costs	74,500	0
Tax losses	<u>2,507,585</u>	<u>4,340,847</u>
	<u>5,093,648</u>	<u>6,316,512</u>
13 Prepayments		
Insurance	673,712	527,715
Rent	1,611,408	1,579,812
Other items	<u>1,150,613</u>	<u>1,020,629</u>
	<u>3,435,733</u>	<u>3,128,156</u>
14 Share capital		
The Company's share capital is divided on shares with a face value of DKK 1,000 each. Each share carries one vote. No shares carry special rights.		
Of the total share capital of DKK 10,004,000, the Company holds treasury shares of a nominal amount of DKK 1,000,000, equivalent to 9.996%. The Company did not acquire or sell treasury shares during the year under review.		
Changes in share capital during the period 1 July 2009 – 30 June 2014:		
Share capital at 1 July 2009	0	10,003,000
Additions 2009/10		<u>1,000</u>
Share capital at 30 June 2014		<u>10,004,000</u>

Financial statements 1 July – 30 June

Notes

15 Equity

	Share capital	Proposed dividends	Retained earnings	Total
Opening balance	10,004,000	18,000,000	100,570,305	128,574,305
Transferred, see the profit appropriation		4,000,000	32,543	4,032,543
Dividends paid		-18,000,000		-18,000,000
Closing balance	10,004,000	4,000,000	100,602,848	114,606,848

16 Provisions

The amount comprises warranty obligations of DKK 120,333 covering the Company's standard one-year warranty on sale of machinery within PaperlinX VTS.

17 Mortgages and collateral

The Company has provided collateral to Nordea Bank Danmark A/S in the form of a floating charge of DKK 25.0 million. The value of the assets provided as collateral represents DKK 186.7 million.

In addition, the Company has provided a cross guarantee to Nordea Bank Danmark A/S for the affiliated company, PaperlinX AB.

The Company has provided bank guarantees of DKK 19.0 million covering rent for external premises.

18 Contractual obligations

Leases for property with an annual payment of DKK 7.5 million and with a term of notice of up to 8.5 years, representing rent commitments of DKK 60.8 million.

Lease liabilities (operating leases) of DKK 8.4 million, of which DKK 8.3 million falls due within five years.

Financial statements 1 July – 30 June

Notes

19 Related party disclosures

PaperlinX A/S' related parties comprise the following:

Control

Parent company – PaperlinX Denmark Holding ApS, Bastrupgaardvej 8-10, DK-7500 Holstebro.

Ultimate parent company – PaperlinX Limited Australia

Other related parties

Board member, Andrew John Price, chairman

Board member, Joost Willem Peter Smullenbroek

Board member and CEO, Jørgen Nielsen

Board member, Maria Pedersen Poulsgaard, elected by the employees

Board member, Arne Sørensen, elected by the employees.

Executive Board, CEO Jørgen Nielsen

Executive Board, Bjarne Lunding

Executive Board, Bjarne Oldager Kusnitzoff

Ownership

The Company's intermediate parent company, in which the Company is included as a subsidiary, is PaperlinX Denmark Holding ApS, and the Company's ultimate parent company, which prepares consolidated financial statements in which the Company is included as a subsidiary, is PaperlinX Limited.

The consolidated financial statements of the foreign parent company are available at www.paperlinx.com.au or at the address:

PaperlinX Limited, 307 Ferntree Gully Road, Mount Waverly, Victoria 3149, Australia.

20 Adjustments

	2013/14	2012/13
Depreciation/amortisation for the year of intangible assets and property, plant and equipment	3,015,965	2,880,007
Gains on the disposal of non-current assets	76,494	0
Change for the year in provisions	-21,834	44,084
Adjustment of deferred tax	1,222,864	1,457,525
Financial income	-354,087	-460,649
Financial expenses	1,345,788	358,336
	<u>5,285,190</u>	<u>4,279,303</u>

Financial statements 1 July – 30 June

Notes

	2013/14	2012/13
21 Changes in working capital		
Change in inventories	-4,025,221	1,012,196
Change in receivables	-3,892,027	571,817
Change in trade and other payables	-1,866,979	-4,674,707
	<u>-9,784,227</u>	<u>-3,090,694</u>