RQ (Holdings) Limited

Annual report

for the year ended 31 December 2007

Registered number 3133487

RQ (Holdings) Limited

Annual report
for the year ended 31 December 2007

RQ (Holdings) Limited

Directors and advisors

Directors

Attila Balogh
Philip Baldrey

Secretary

Harjinder Gill

Registered office

118 Amington Road
Yardley
Birmingham
B25 8JZ

Bankers

LloydsTSB plc
114-116 Colmore Road
Birmingham
B3 3BD

Independent auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Directors' report
for the year ended 31 December 2007

The directors present their annual report and the audited financial statements of the company, for the year ended 31 December 2007

Principal activities

The principal activity of the company comprises the management of group companies The principal activity of its subsidiary, Ridley Quiney Limited, consists of the distribution of packaging and allied products

Results and dividends

The audited financial statements for the year ended 31 December 2007 are set out on pages 5 to 12 The loss for the year was £126,000 which related to an adjustment in respect of prior year corporation tax (2006 profit of £3,197,000)

The directors do not recommend the payment of a dividend (2006 £nil)

Post balance sheet events – Holding Company restructuring

On 7 December 2006 the company's ultimate parent company EPL Acquisitions BV, a company under the control of MidOcean Holdco Sarl, acquired a number of businesses under common ownership to create a new global Europackaging Group Some of the businesses were acquired directly by the company and the remainder by other subsidiaries of EPL Acquisitions BV

In the first eighteen months of operation the newly formed Europackaging Group has necessarily had to concentrate on the integration of the new organisation and the recruitment and development of a new management team All of this has been done against a background of volatile commodity prices, especially that of resin which is the key raw material for the business, and continuing pressure from both external bodies and also the Group's customers to provide environmentally friendly solutions to packaging requirements

The result of these pressures has been that the company has not been able to fully meet the ambitious targets set out in the business plan prepared by the ultimate shareholders as an integral part of their decision to invest in the businesses in the Europackaging Group Group Management, recognising that the below plan performance would impact on the Group's ability to meet its commitments in respect of loan financing, entered into discussions with the main shareholders and providers of the Group's senior, mezzanine and revolving debt with a view to rebasing the finance obligations The result of these discussions has been to implement a restructuring of the financing of the Group involving

- an exchange of debt for equity in EPL Acquisitions (Sub) BV, the immediate subsidiary of EPL Acquisitions BV, such that long term debt and revolver facilities of the Group have been reduced from £117m to £62m and shareholders funds in that company increased by £55m
- arranging an invoice discounting facility up to a maximum amount of £15m to improve the Group's ability to manage its working capital requirements
- significantly reducing on-going interest and debt repayment obligations
- negotiating revised covenants based on the revised business plan and the new financing structure

As part of the process EPL Acquisitions (Sub) BV changed its legal status under Dutch law to that of an NV The effect of these changes has been that the company's ultimate holding company is, with effect from 24 July 2008, EPL Acquisitions (Sub) NV

Directors report
for the year ended 31 December 2007 (continued)

As part of the refinancing the Group has prepared cash flow projections for a period to December 2009, to assess the suitability of preparing the company accounts on a going concern basis We consider that these projections indicate that the company has sufficient headroom for a period of at least 12 months ensure commitments to meet financial liabilities are met and banking covenants will not be breached

The forecasts that have been prepared are reliant on a number of key variables These variables are seen as fundamental to the company having sufficient headroom to meet its cash requirements and covenants over that period, supporting the preparation of these accounts on a going concern basis We consider these key areas to be

a) Maintenance of sales revenues – We anticipate sales revenues will be maintained through a combination of increases in sales volumes overseas and the ability to pass on changes in resin prices

b) Margin – With the expectation of continuing increases in the price of our primary raw material, resin, the passing on of such increases onto our customers is of vital importance in maintaining adequate margins The pressure on raw material input costs is one which has been and continues to be experienced by our industry as a whole and our competitors specifically The acceptance of this by customers, which to date has been the case, has been assumed to continue

As a result, Group Management is confident that having rebased the business model and secured appropriate levels of finance the Group will be able to meet its obligations as they fall due and that this will provide a sound basis on which to continue the development and growth of the overall operation

Business review

The directors' have taken the exemption under the special provision of section 246 of the Companies Act 1985 from undertaking the detailed business review requirements of section 234ZZB of the Companies Act 1985

Financial risk management

Due to the size of the company and the limited range and number of transactions, the directors do not feel a financial risk management disclosure is relevant The company's operations do not expose it to any risks such as debt market prices, credit risk, liquidity risk or interest rate risk The company does not require a formal risk management programme and given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board

Directors

The directors who served throughout the year, and subsequently, were as follows

Attila Balogh	
Philip Baldrey	(appointed 1 May 2008)
Harjinder Gill	(resigned 2 May 2008)
Darren Mosley	(resigned 1 May 2008)
Paul Windle	(resigned 1 May 2008)
Mark Monaghan	(appointed 12 April 2007, resigned 8 February 2008)

Directors report
for the year ended 31 December 2007 (continued)

Statement of directors' responsibilities in respect of the annual report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 those 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved under Section 234A of the Companies Act, the following applies

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he/she have taken all steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting

By order of the board

Harjinder Gill
Secretary
2 October 2008

Independent auditors' report to the members of RQ (Holdings) Limited

We have audited the financial statements of RQ (Holdings) Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

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

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 judgments 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
13 October 2008

RQ (Holdings) Limited

Profit and loss account
for the year ended 31 December 2007

	Note	**2007**	2006
		£'000	£'000
Turnover		-	-
Depreciation		-	(29)
Other operating costs		-	(1)
Operating result/(loss)	3	-	(30)
Exceptional profit on disposal of land and buildings	4	-	3,553
Profit on ordinary activities before taxation		-	3,523
Tax on profit on ordinary activities	6	**(185)**	(326)
(Loss)/profit for the financial year	11	**(185)**	3,197

The company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the loss transferred from reserves and their historical cost equivalents

All of the above activities derive from continuing operations

RQ (Holdings) Limited

Balance sheet
as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	7	**6,187**	6,187
Current assets Debtors	8	**6,141**	6,141
Creditors: amounts falling due within one year	9	**(5,361)**	(5,176)
Net current assets		**780**	965
Net assets		**6,967**	7,152
Capital and reserves			
Called up share capital	10	**276**	276
Share premium account	11	**2,612**	2,612
Profit and loss account	11	**4,079**	4,264
Total shareholders' funds	12	**6,967**	7,152

The financial statements on pages 6 to 14 were approved by the board of directors on 2 October 2008 and signed on its behalf by

P Baldrey
Director

RQ (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom The principal accounting policies which have been consistently applied are set out below

Basis of preparation

The financial statements contain information about RQ (Holdings) Limited as an individual company and do not contain consolidated information as the parent of a group The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company EPL Acquisitions BV, a company registered in the Netherlands

The company is also, on this basis, exempt from the requirements of Financial Reporting Standard 1 (revised 1996) to present a cash flow statement

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 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 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

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Investments

Investments in subsidiary undertakings are recognised at cost less any provision for impairment

2 Post balance sheet events – holding company restructuring

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2 Post balance sheet events – holding company restructuring (continued)

In the first eighteen months of operation the newly formed Europackaging Group has necessarily had to concentrate on the integration of the new organisation and the recruitment and development of a new management team All of this has been done against a background of volatile commodity prices, especially that of resin which is the key raw material for the business, and continuing pressure from both external bodies and also the Group's customers to provide environmentally friendly solutions to packaging requirements

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As part of the refinancing the Group has prepared cash flow projections for a period to December 2009, to assess the suitability of preparing the company accounts on a going concern basis We consider that these projections indicate that the company has sufficient headroom for a period of at least 12 months to ensure commitments to meet financial liabilities are met and banking covenants will not be breached

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As a result, Group Management is confident that having rebased the business model and secured appropriate levels of finance the Group will be able to meet its obligations as they fall due and that this will provide a sound basis on which to continue the development and growth of the overall operation

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Operating result/(loss)

Operatıng result/(loss) ıs stated after chargıng

	2007	2006
	£'000	£'000
Depreciation	-	29
Auditors' remuneration for audit services	-	1

Audıt fees have been bourn by another group company

There was no provision for non audit services during the year (2006 nil)

4 Exceptional item

The exceptional item in 2006 related to the sale of the company's freehold land and buildings for a profit of £3,553,000 The tax attributable to this exceptional item was estimated to be £664,000

5 Staff costs

The average number of employees (including executive directors) was 5 (2006 4) Their remuneration is borne by a fellow group undertaking

6 Tax on profit on ordinary activities

The tax charge comprises

	2007	2006
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	-	664
Adjustments in respect of previous years	**185**	(186)
Total current tax	**185**	478
Deferred tax		
Origination and reversal of timing differences	-	(152)
Total deferred tax	-	(152)
Tax charge on profit on ordinary activities	**185**	326

The tax assessed for the current year is higher (2006 neutral) than the standard rate of corporation tax in the UK (30%)

The differences are explained below

	2007	2006
	£'000	£'000
Profit on ordinary activities before taxation	-	3,523
Profit on ordinary activities multiplied by the standard UK corporation tax rate of 28% (2006 30%)	-	1,057
Effects of		
Capital transaction	-	(393)
Adjustments in respect of previous year	**185**	(186)
Total current tax charge	**185**	478

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Investments

Subsidiary undertakings

	£'000
Cost	
At 1 January 2007 and 31 December 2007	7,976
Amounts written off	
At 1 January 2007 and 31 December 2007	(1,789)
Net book value	
At 31 December 2006 and 31 December 2007	**6,187**

The whole of the issued share capital of Ridley Quiney Limited, a company registered in England and Wales, is owned by the company Its principal activity is the distribution of packaging and allied products

8 Debtors

	2007	2006
	£'000	£'000
Amounts owed by group undertakings	**6,141**	6,141

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand

9 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Amounts owed to group undertakings	**4,568**	4,568
Corporation tax	**790**	605
Accruals and deferred income	**3**	3
	5,361	5,176

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Called up share capital

	2007 £'000	2006 £'000
Authorised		
28,953,014 ordinary shares of 1p each	**290**	290
Allotted and fully paid		
27,638,215 ordinary shares of 1p each	**276**	276

11 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	2,612	4,264	6,876
Loss for the financial year	-	(185)	(185)
At 31 December 2007	**2,612**	**4,079**	**6,691**

12 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
(Loss)/profit for the financial year	**(185)**	3,197
Opening shareholders' funds	**7,152**	3,955
Closing shareholders' funds	**6,967**	7,152

13 Contingent liabilities

There is a unlimited multilateral guarantee given by members of the group headed by EPL Acquisitions Limited in respect of the bank overdrafts of fellow group companies As at 31 December 2007 this amounted to £1,808,000 (2006 £nil)

14 Related party transactions

As a subsidiary undertaking of Europackaging Holdings Limited, the company has taken advantage of the exemption in Financial Reporting Standard 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Europackaging Holdings Limited

On 7 December 2006 the company's property was sold at market value to a party connected to the previous owners of the Group, realising a profit over net book value of £3,553,000

15 Ultimate controlling party

As at 31 December 2007, the directors regard EPL Acquisitions BV, a company registered in the Netherlands as the ultimate parent company EPL Acquisitions BV is under the control of MidOcean Holdco Sarl Subsequent to 24 July 2008 the company's ultimate parent undertaking and controlling party is EPL Acquisitions (Sub) BV

EPL Acquisitions B V is the largest and smallest group of which the company is a member and for which group financial statements are drawn up for the year ended 31 December 2007 Copies of the financial statements are available from Olympic Plaza, Fred Roeskestraat 123, 1076 EE Amsterdam, The Netherlands