APPENDIX 4D

(Rules 4.2A.3)

Name of entity:	**PAPERLINX LIMITED**
ABN:	**70 005 146 350**
For the half-year ended:	**31 December 2012**
Previous corresponding period:	31 December 2011

Results for announcement to the market

	2012	**2011 Restated** *(1)*		**% Change**
	A$m	**A$m**		
External revenues from ordinary activities:				
• continuing operations	1,440.1	1,734.9	down	17%
• discontinued operations	27.4	449.0	down	94%
	1,467.5	2,183.9	down	33%
Net loss for the period after tax:				
• continuing operations	(54.8)	(43.4)	down	26%
• discontinued operations	(2.5)	(17.5)	up	86%
	(57.3)	(60.9)	up	6%
attributable to:				
Equity holders of PaperlinX Limited	(57.3)	(60.9)	up	6%

(1) The comparative amounts disclosed above have been re-presented as if the operations discontinued during the current period had been discontinued from the start of the comparative period.

Dividends

	Amount per security		**Franked amount per security**
Interim dividend - current period	Nil		Nil
Interim dividend - previous corresponding period	Nil		Nil
Record date for determining entitlements to the dividend		N/A	
Date dividend is payable		N/A	

Commentary on results for the period

Refer to press release for explanation of results

Net tangible assets per security

	31 December 2012	**31 December 2011**
Net tangible assets per security	$(0.02)	$0.18

Details of entities over which control has been gained or lost

Control lost over the following entities effective 10 September 2012:

Finwood Papers (Pty) Ltd

Finwood Properties Pty Ltd

Control lost over the following entities effective 5 November 2012:

Adria Papir D.o.o.

Budapest Papir Kft

Alpe Papir Trgovina na Veliko D.o.o.

Dunav Papir D.o.o.

Bratislavska Papierenska Spolocnost

Dividend reinvestment plan

The following dividend plans are in operation	Dividend Reinvestment Plan ('DRP')
The last date(s) for receipt of election notices for the dividend plans	N/A
Any other disclosures in relation to dividends	N/A

Details of associates and joint ventures

N/A

Information on audit or review

This report is based on accounts which have been subject to review. A copy of the review report is included in the attached interim financial report.

Michelle Wong
Company Secretary
Date: 21 February 2013

INTERIM FINANCIAL REPORT

of PaperlinX Limited

31 December 2012

Contents

DIRECTORS' REPORT

The Directors of PaperlinX Limited ("the Company") present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries ("the Consolidated Entity") for the half-year ended 31 December 2012 and the auditors' review report thereon.

Directors

The Directors of the Company during or since the end of the half-year are:

Name	**Period of directorship**
Non-executive	
Mr M D (Michael) Barker	Director since 27 September 2012. Chairman since 1 October 2012.
Mr R G (Robert) Kaye SC	Director since 27 September 2012.
Mr H (Harry) Boon	Director from May 2008. Chairman from September 2011. Resigned 27 September 2012.
Mrs M L (Lyndsey) Cattermole AM	Director from December 2010. Resigned 27 September 2012.
Mr A J (Tony) Clarke	Director from June 2011. Resigned 27 September 2012.
Mr M J (Mike) McConnell	Director from August 2011. Resigned 14 November 2012.
Executive	
Mr A J (Andrew) Price	Director since 1 September 2012. Executive Director since 14 November 2012.
Mr T R (Toby) Marchant	Managing Director and Chief Executive Officer from November 2010. Ceased employment and resigned as a Director on 31 July 2012.

Review of operations

A review of the operations of the Consolidated Entity during the half-year, and the results of those operations is contained in PaperlinX's Statement to the Australian Stock Exchange and news media dated 21 February 2013.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2012.

Rounding off

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

In accordance with a resolution of the Directors, dated at Melbourne, this 21st day of February 2013.

Michael Barker	Robert Kaye SC
Chairman	**Director**

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: Directors of PaperlinX Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG

Paul J McDonald
Partner

Melbourne
21 February 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December	Note	2012 $m	2011 Restated *(1)* $m
Continuing operations			
Revenue from sale of goods		1,440.1	1,734.9
Cost of inventory sold		(1,159.8)	(1,404.3)
Gross profit		280.3	330.6
Other income	8	4.6	2.5
Personnel costs		(156.1)	(177.7)
Logistics and distribution		(85.0)	(89.6)
Sales and marketing		(2.9)	(4.3)
Impairment of property, plant and equipment	14	-	(2.7)
Impairment of intangible assets	14	(24.7)	(20.7)
Other expenses		(60.6)	(69.7)
Result from operating activities		(44.4)	(31.6)
Net movement in fair value of currency option and loan	6	-	0.2
Net finance costs	9	(6.3)	(10.3)
Loss before tax		(50.7)	(41.7)
Tax expense		(4.1)	(1.7)
Loss from continuing operations		(54.8)	(43.4)
Discontinued operations			
Loss from discontinued operations, net of tax	10	(2.5)	(17.5)
Loss for the period		(57.3)	(60.9)
Loss for the period attributable to:			
Equity holders of PaperlinX Limited		(57.3)	(60.9)
Basic earnings per share (cents)	7	(9.4)	(10.0)
Basic earnings per share from continuing operations (cents)	7	(9.0)	(7.1)
Diluted earnings per share (cents)	7	(9.4)	(10.0)
Diluted earnings per share from continuing operations (cents)	7	(9.0)	(7.1)

(1) Refer Note 10 - Discontinued operations.

Condensed notes 1 to 20 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December	2012 $m	2011 $m
Loss for the period	(57.3)	(60.9)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial adjustments on defined benefit plans	(25.9)	(22.3)
Income tax benefit relating to items that will not be reclassified to profit or loss	2.8	5.8
Total items that will not be reclassified to profit or loss	(23.1)	(16.5)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	4.5	(19.4)
Net change in fair value of cash flow hedges	-	(45.1)
Total items that may be reclassified subsequently to profit or loss	4.5	(64.5)
Items reclassified to profit or loss		
Reclassification of exchange differences on disposal of controlled entities to Income Statement	3.3	-
Net change in fair value of cash flow hedges reclassified to Income Statement	-	43.9
Total items reclassified to profit or loss	3.3	43.9
Other comprehensive loss for the period, net of tax	(15.3)	(37.1)
Total comprehensive loss for the period, net of tax	(72.6)	(98.0)
Total comprehensive loss for the period attributable to:		
Equity holders of PaperlinX Limited	(72.6)	(98.0)

Condensed notes 1 to 20 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012 $m	As at 30 June 2012 $m
Current assets			
Cash and cash equivalents		102.3	80.0
Trade and other receivables		603.6	671.6
Income tax receivable		2.7	3.4
Inventories		309.2	305.5
Assets held for sale	12	4.4	43.4
Total current assets		1,022.2	1,103.9
Non-current assets			
Receivables		7.1	13.3
Investments		1.0	1.0
Property, plant and equipment		42.3	43.3
Intangible assets		72.2	96.6
Deferred tax assets		40.8	40.6
Total non-current assets		163.4	194.8
Total assets		1,185.6	1,298.7
Current liabilities			
Trade and other payables		380.7	435.2
Loans and borrowings	15	163.0	175.8
Income tax payable		2.4	2.7
Employee benefits		15.2	16.3
Provisions		24.7	30.0
Liabilities held for sale	12	-	14.8
Total current liabilities		586.0	674.8
Non-current liabilities			
Payables		1.4	1.3
Loans and borrowings	15	77.9	52.0
Deferred tax liabilities		1.7	2.2
Employee benefits		132.3	109.1
Provisions		11.9	12.1
Total non-current liabilities		225.2	176.7
Total liabilities		811.2	851.5
Net assets		374.4	447.2
Equity			
Issued capital	17	1,895.1	1,893.5
Reserves		(143.4)	(149.4)
Accumulated losses		(1,653.8)	(1,573.4)
Total equity attributable to holders of ordinary shares of PaperlinX Limited		97.9	170.7
PaperlinX step-up preference securities		276.5	276.5
Total equity		374.4	447.2

Condensed notes 1 to 20 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2012 $m	Attributable to equity holders of PaperlinX Limited							
	Issued capital	Exchange fluctuation reserve	Hedging reserve	Reserve for own shares	Employee share plans reserve	Accumulated losses	PaperlinX step-up preference securities	Total equity
Balance at 1 July 2012	1,893.5	(152.6)	(0.1)	(0.1)	3.4	(1,573.4)	276.5	**447.2**
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	(57.3)	-	**(57.3)**
Other comprehensive income								
• Actuarial adjustments on defined benefit plans	-	-	-	-	-	(25.9)	-	**(25.9)**
• Exchange differences on translation of overseas subsidiaries	-	4.5	-	-	-	-	-	**4.5**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement	-	3.3	-	-	-	-	-	**3.3**
• Income tax benefit on other comprehensive income	-	-	-	-	-	2.8	-	**2.8**
Total other comprehensive (loss)/income	-	7.8	-	-	-	(23.1)	-	**(15.3)**
Total comprehensive (loss)/income for the period	-	7.8	-	-	-	(80.4)	-	**(72.6)**
Transactions with owners recorded directly in equity								
• Employee share-based payment transactions	-	-	-	(0.1)	(1.9)	-	-	**(2.0)**
• Issue of shares to employees	1.6	-	-	0.2	-	-	-	**1.8**
Total transactions with owners	1.6	-	-	0.1	(1.9)	-	-	**(0.2)**
Balance at 31 December 2012	1,895.1	(144.8)	(0.1)	-	1.5	(1,653.8)	276.5	**374.4**

Condensed notes 1 to 20 form part of these financial statements and are to be read in conjunction therewith.

For the half-year ended 31 December 2011 $m	Issued capital	Exchange fluctuation reserve	Hedging reserve	Reserve for own shares	Employee share plans reserve	Accumulated losses	PaperlinX step-up preference securities	Total equity
	Attributable to equity holders of PaperlinX Limited							
Balance at 1 July 2011	1,890.7	(162.3)	1.2	(1.0)	6.8	(1,275.5)	276.5	**736.4**
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	(60.9)	-	**(60.9)**
Other comprehensive income								
• Actuarial adjustments on defined benefit plans	-	-	-	-	-	(22.3)	-	**(22.3)**
• Exchange differences on translation of overseas subsidiaries	-	(19.4)	-	-	-	-	-	**(19.4)**
• Net change in fair value of cash flow hedges	-	-	(45.1)	-	-	-	-	**(45.1)**
• Net change in fair value of cash flow hedges transferred to Income Statement	-	-	43.9	-	-	-	-	**43.9**
• Income tax benefit on other comprehensive income	-	-	-	-	-	5.8	-	**5.8**
Total other comprehensive loss	-	(19.4)	(1.2)	-	-	(16.5)	-	**(37.1)**
Total comprehensive loss for the period	-	(19.4)	(1.2)	-	-	(77.4)	-	**(98.0)**
Transactions with owners recorded directly in equity								
• Employee share-based payment transactions	0.6	-	-	(0.6)	(3.0)	-	-	**(3.0)**
• Issue of shares to employees	2.0	-	-	1.5	-	-	-	**3.5**
Total transactions with owners	2.6	-	-	0.9	(3.0)	-	-	**0.5**
Balance at 31 December 2011	1,893.3	(181.7)	(0.0)	(0.1)	3.8	(1,352.9)	276.5	**638.9**

Condensed notes 1 to 20 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December	Note	2012 $m	2011 $m
Cash flows from operating activities			
Receipts from customers		1,495.7	2,182.6
Payments to suppliers and employees		(1,549.3)	(2,221.1)
Interest received		1.0	1.2
Interest paid		(6.7)	(8.9)
Income taxes paid		(1.5)	(2.8)
Net cash used in operating activities	18	(60.8)	(49.0)
Cash flows from investing activities			
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		(1.9)	-
• Property, plant and equipment and intangibles		(4.8)	(7.9)
Net (payments)/proceeds from the sale of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed		77.5	(0.8)
• Property, plant and equipment and intangibles		8.0	0.6
Tasmanian manufacturing operations closure payments		(3.5)	(1.9)
Net cash from/(used in) investing activities		75.3	(10.0)
Cash flows from financing activities			
Purchase of own shares for employees		(0.2)	-
Proceeds from borrowings		30.1	57.4
Repayment of borrowings		(19.9)	(1.6)
Cash flow hedges		-	(0.9)
Capitalised borrowing costs paid		-	(2.0)
Other borrowing costs paid		(0.5)	(0.2)
Net cash from financing activities		9.5	52.7
Net increase/(decrease) in cash and cash equivalents		24.0	(6.3)
Cash and cash equivalents at the beginning of the period		80.0	115.5
Effect of exchange rate changes on cash held		(1.7)	(4.9)
Cash and cash equivalents at the end of the period	18	102.3	104.3

Condensed notes 1 to 20 form part of these financial statements and are to be read in conjunction therewith.

Note 1. Reporting entity

The Company is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as "the Consolidated Entity"). The Consolidated Entity is primarily involved in the merchanting of paper, communication materials and diversified products and services.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2012 is available upon request from the Company's registered office at 7 Dalmore Drive, Scoresby Victoria 3179 or at www.paperlinx.com.au.

Note 2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2012.

This condensed consolidated interim financial report was approved by the Board of Directors on 21 February 2013.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Going concern basis of accounting

In preparing the condensed consolidated interim financial report, the Directors made an assessment of the ability of the Consolidated Entity to continue as a going concern, which contemplates the continuity of normal business operations, realisation of assets and settlement of liabilities in the ordinary course of business and without the necessity to curtail materially the scale of the business.

The Consolidated Entity is primarily funded by receivable-backed and inventory-backed facilities. As disclosed in Note 15, the major line of finance was renegotiated and an amended agreement was executed on 20 February 2013. The amended agreement has an expiry date of September 2014 and includes covenants related to trading performance (tested on a quarterly, non-cumulative basis) and other restrictions and obligations, including requirements for credit insurance and approval of hybrid distributions.

The ability of the Consolidated Entity to meet its operational cash requirements and remain within the limits of its debt facilities in the foreseeable future is dependent in part on meeting forecast trading results, successful execution of restructuring initiatives to reduce operating costs and strategies to improve working capital management.

The forecast trading results are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside of the control of the Consolidated Entity. The forecasts, taking into account reasonable possible changes in trading performance, show that the Consolidated Entity should be able to operate within the level and terms of its current facilities. This notwithstanding, the current economic environment in some of the major operating jurisdictions – in particular the United Kingdom and Europe – and structural changes in the traditional paper markets present challenges in terms of sales volumes, pricing and input costs which create uncertainties about future trading performance and cash flows.

During the period, management implemented plans to reduce cost structures and further restructuring and cost reduction initiatives are planned to be implemented prior to 30 June 2013. Whilst the existing facilities include some regional specific covenants and restrictions to draw down debt facilities, management have identified opportunities to move cash within the Consolidated Entity should the need arise, subject to lender approval where required.

Should the ability of the Consolidated Entity to realise sufficient cash flows from trading operations be restricted, the Consolidated Entity will actively pursue alternative funding arrangements and institute additional measures to preserve cash. These may include (but are not limited to) drawing down undrawn debt facilities, working capital reductions, further restrictions of expenditures and asset sales.

After making enquiries, and considering the implications of the material uncertainties described above, the Directors have a reasonable expectation that the Consolidated Entity will have adequate resources to continue to operate and meet its obligations as and when they fall due for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial report.

Note 3. Significant accounting policies

Except as detailed below, the accounting policies and disclosures applied by the Consolidated Entity in this condensed consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2012.

Changes in accounting policy and disclosures

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity include:

- AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income*

The adoption of this standard did not have any financial impact on the current reporting period or any prior period. However, the application of AASB 2011-9 has resulted in changes to the Consolidated Entity's presentation of its condensed consolidated statement of comprehensive income. This change in accounting policy is also expected to be reflected in the consolidated financial statements as at and for the year ending 30 June 2013.

Note 4. Accounting estimates and judgements

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant estimates and judgements in applying the Consolidated Entity's accounting policies, with the exception of the matter outlined below, were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2012.

Change in estimates – brand names

During the current reporting period, the Consolidated Entity revised its assessment of the expected useful life of brand names. Given the actual and projected reduction in volumes and premiums associated with these brands over time, it was decided to amortise them on a straight-line basis over 5 years from the commencement of the current reporting period. Previously they were treated as having an indefinite life and were not amortised, but were subject to an annual impairment assessment.

The effect of this change on amortisation expense, recognised in other expenses in the condensed consolidated income statement is an additional charge of $0.8m for the half-year ended 31 December 2012.

As part of the impairment review as at 31 December 2012 it was decided to impair in full the carrying value of brand names – refer Note 14 for details of the impairment review.

Note 5. Operating segments

The Consolidated Entity comprises the following main business segments, based on the Consolidated Entity's management and internal reporting system.

Segment	Description of operations
Merchanting	International merchant supplying the printing and publishing industry and office supplies.
Discontinued operations	Comprises merchanting operations in United States of America (sale announced 26 June 2012 and completed on 3 July 2012); Italy (sale announced 9 March 2012 and completed on 3 July 2012); South Africa (sale announced 17 July 2012 and completed on 10 September 2012); and Hungary, Slovakia, Slovenia, Serbia and Croatia (sale announced 17 July 2012 and completed on 5 November 2012). Also comprises paper manufacturing - Australian Paper business (sale completed May 2009) and Tas Paper (closure completed in June 2010). Refer Note 10 for further details.

Corporate operations, continuing eliminations and amounts which have not been allocated to the Merchanting or Discontinued operations segments are classified as Unallocated.

	Note	Merchanting Europe $m	Merchanting Canada $m	Merchanting Australia, New Zealand, Asia $m	Unallocated $m	Total Continuing Operations $m	Discontinued Operations $m	Group Eliminations $m	Group $m
For the half-year ended 31 December 2012									
External sales revenue		1,018.8	205.1	216.2	-	1,440.1	27.4	-	1,467.5
Inter-segment sales revenue		-	-	2.2	(2.2)	-	-	-	-
Total revenue		1,018.8	205.1	218.4	(2.2)	1,440.1	27.4	-	1,467.5
(Loss)/profit before net finance costs, tax and significant items		(19.5)	5.0	7.8	(6.6)	(13.3)	0.2	-	(13.1)
Significant items (pre-tax)	6	(30.8)	-	-	(0.3)	(31.1)	(1.9)	-	(33.0)
Net other finance costs	9,10	-	-	-	(0.4)	(0.4)	-	-	(0.4)
(Loss)/profit before interest and tax		(50.3)	5.0	7.8	(7.3)	(44.8)	(1.7)	-	(46.5)
Net interest	9,10				(5.9)	(5.9)	(0.7)	-	(6.6)
Loss before tax					(13.2)	(50.7)	(2.4)	-	(53.1)
Tax expense - pre-significant items					(4.1)	(4.1)	(0.1)	-	(4.2)
Loss for the period					(17.3)	(54.8)	(2.5)	-	(57.3)
The loss before tax includes:									
Depreciation and amortisation		(5.3)	(0.9)	(0.9)	(0.2)	(7.3)	(0.1)	-	(7.4)
Impairment of non-current assets		(24.7)	-	-	-	(24.7)	-	-	(24.7)
Depreciation, amortisation and impairment		(30.0)	(0.9)	(0.9)	(0.2)	(32.0)	(0.1)	-	(32.1)
Capital expenditure		2.8	0.9	2.6	-	6.3	0.1	-	6.4
As at 31 December 2012									
Total assets		775.3	137.8	211.3	49.3	1,173.7	11.9	-	1,185.6
Total liabilities		414.7	61.3	55.4	269.7	801.1	10.1	-	811.2
Net assets/(liabilities)		360.6	76.5	155.9	(220.4)	372.6	1.8	-	374.4

Note 5. Operating segments – (continued)

	Note	Merchanting Europe $m	Merchanting Canada $m	Merchanting Australia, New Zealand, Asia $m	Unallocated $m	Total Continuing Operations $m	Discontinued Operations $m	Group Eliminations $m	Group $m
For the half-year ended 31 December 2011 - Restated *(1)*									
External sales revenue		1,264.0	222.1	248.8	-	1,734.9	449.0	-	2,183.9
Inter-segment sales revenue		-	-	2.8	(2.8)	-	-	-	-
Total revenue		1,264.0	222.1	251.6	(2.8)	1,734.9	449.0	-	2,183.9
(Loss)/profit before net finance costs, tax and significant items		(5.8)	3.6	5.7	(9.8)	(6.3)	5.4	-	(0.9)
Significant items (pre-tax)	6	(25.1)	-	(0.2)	0.2	(25.1)	(17.3)	-	(42.4)
Net other finance costs	9,10	-	-	-	(3.3)	(3.3)	(0.4)	-	(3.7)
(Loss)/profit before interest and tax		(30.9)	3.6	5.5	(12.9)	(34.7)	(12.3)	-	(47.0)
Net interest	9,10				(7.0)	(7.0)	(2.4)	-	(9.4)
Loss before tax					(19.9)	(41.7)	(14.7)	-	(56.4)
Tax expense - pre-significant items					(1.9)	(1.9)	(2.8)	-	(4.7)
Tax benefit - significant items	6,10				0.2	0.2	-	-	0.2
Loss for the period					(21.6)	(43.4)	(17.5)	-	(60.9)
The loss before tax includes:									
Depreciation and amortisation		(6.0)	(0.9)	(1.0)	(0.3)	(8.2)	(2.2)	-	(10.4)
Impairment of non-current assets		(23.4)	-	-	-	(23.4)	(16.0)	-	(39.4)
Depreciation, amortisation and impairment		(29.4)	(0.9)	(1.0)	(0.3)	(31.6)	(18.2)	-	(49.8)
Capital expenditure		6.2	-	0.2	-	6.4	1.4	-	7.8
As at 30 June 2012									
Total assets		764.8	150.3	225.4	48.7	1,189.2	109.5	-	1,298.7
Total liabilities		405.9	73.4	79.3	258.2	816.8	34.7	-	851.5
Net assets/(liabilities)		358.9	76.9	146.1	(209.5)	372.4	74.8	-	447.2

(1) The comparative period has been restated to reflect the sale of the USA, Italy, South Africa, Hungary, Slovakia, Slovenia, Serbia and Croatia merchanting operations. Refer Note 10 - Discontinued operations and Note 12 - Assets and liabilities held for sale.

Note 6. Individually significant items

For the half-year ended 31 December	Note	Continuing Pre -tax $m	Continuing Tax impact $m	Continuing Post -tax $m	Discontinued Pre -tax $m	Discontinued Tax impact $m	Discontinued Post -tax $m	Total Pre -tax $m	Total Tax impact $m	Total Post -tax $m
2012										
Loss on sale of controlled entities	10	-	-	-	(3.4)	-	(3.4)	(3.4)	-	(3.4)
Impairment of intangible assets		(24.7)	-	(24.7)	-	-	-	(24.7)	-	(24.7)
Restructuring costs		(6.4)	-	(6.4)	-	-	-	(6.4)	-	(6.4)
Write-back of provisions re closure of discontinued Tasmanian operations		-	-	-	1.5	-	1.5	1.5	-	1.5
Total individually significant items		(31.1)	-	(31.1)	(1.9)	-	(1.9)	(33.0)	-	(33.0)
2011 - Restated										
Impairment of property, plant and equipment *(1)*		(2.7)	-	(2.7)	(1.0)	-	(1.0)	(3.7)	-	(3.7)
Impairment of intangible assets *(1)*		(20.7)	-	(20.7)	(15.0)	-	(15.0)	(35.7)	-	(35.7)
Restructuring costs *(2)*		(1.9)	0.2	(1.7)	(1.3)	-	(1.3)	(3.2)	0.2	(3.0)
Net movement in fair value of currency option and loan		0.2	-	0.2	-	-	-	0.2	-	0.2
Total individually significant items		(25.1)	0.2	(24.9)	(17.3)	-	(17.3)	(42.4)	0.2	(42.2)

(1) Restated, refer Note 10 - Discontinued operations.
(2) Reclassified as a significant item.

Note 7. Earnings per share

For the half-year ended 31 December	Continuing 2012 $m	Continuing 2011 Restated *(1)* $m	Discontinued 2012 $m	Discontinued 2011 Restated *(1)* $m	Total 2012 $m	Total 2011 $m
Loss for the period	(54.8)	(43.4)	(2.5)	(17.5)	(57.3)	(60.9)
Loss for the period attributable to holders of ordinary shares in PaperlinX Limited	(54.8)	(43.4)	(2.5)	(17.5)	(57.3)	(60.9)
Weighted average number of shares - basic (millions)	609.3	607.4	609.3	607.4	609.3	607.4
Basic EPS (cents)	(9.0)	(7.1)	(0.4)	(2.9)	(9.4)	(10.0)
Weighted average number of shares - diluted (millions)	609.3	607.4	609.3	607.4	609.3	607.4
Diluted EPS (cents)	(9.0)	(7.1)	(0.4)	(2.9)	(9.4)	(10.0)

(1) Refer Note 10 - Discontinued operations.

The options to purchase shares and rights on issue during the reporting periods ended 31 December 2012 and 31 December 2011 have not been included in determining the basic earnings per share.

The options to purchase shares on issue during the half-year ended 31 December 2012 (weighted average 2.009 million shares) have not been included in determining the diluted earnings per share because they are anti-dilutive. The options to purchase shares on issue during the half-year ended 31 December 2011 (weighted average 11.388 million shares) have not been included in determining the diluted earnings per share for the prior period because they are anti-dilutive.

Note 8. Other income from continuing operations

For the half-year ended 31 December	2012 $m	2011 Restated *(1)* $m
Rent	1.0	0.5
Net profit on disposal of non-current assets	0.7	-
Other	2.9	2.0
Total other income	4.6	2.5

(1) Refer Note 10 - Discontinued operations.

Note 9. Net finance costs from continuing operations

For the half-year ended 31 December	2012 $m	2011 Restated *(1)* $m
Net interest		
Interest expense	(6.9)	(8.4)
Interest income	1.0	1.4
Total net interest	(5.9)	(7.0)
Other finance costs		
Net other foreign exchange gains/(losses)	0.3	(1.8)
Other borrowing costs	(0.7)	(1.5)
Total other finance costs	(0.4)	(3.3)
Total net finance costs	(6.3)	(10.3)

(1) Refer Note 10 - Discontinued operations.

Note 10. Discontinued operations

On 9 March 2012, the Company announced the sale of its Italian merchanting business (Polyedra), part of the Europe segment. On 26 June 2012, the Company announced the sale of its USA merchanting operations, Spicers USA and Kelly Paper. The USA merchanting operations were part of the North America segment. The sale of the Italian and USA merchanting businesses were completed on 3 July 2012.

On 17 July 2012, the Company announced that it had entered into agreements to sell:

- its merchanting operations in Slovakia, Hungary, Slovenia, Croatia and Serbia (Europe segment); and
- its merchanting operations in South Africa (Europe segment).

The sale of the South African business was completed on 10 September 2012 and the sale of the Slovakia, Hungary, Slovenia, Croatia and Serbia businesses was completed on 5 November 2012.

Discontinued operations also includes the Consolidated Entity's paper manufacturing businesses. Australian Paper was sold effective May 2009 and Tas Paper was closed in June 2010.

For the half-year ended 31 December	2012	2011 Restated	2012	2011 Restated	2012	2011	2012	2011 Restated
	Europe		North America		Manufacturing & Group Elims		Total Discontinued Operations	
	$m	$m	$m	$m	$m	$m	$m	$m
Result from discontinued operations								
Revenue	27.4	218.8	-	230.2	-	-	27.4	449.0
Other income	-	-	-	0.3	0.7	0.2	0.7	0.5
Trading expenses	(27.0)	(216.2)	-	(227.1)	(0.9)	(0.8)	(27.9)	(444.1)
Result from operating activities before significant items, net finance costs, and tax	0.4	2.6	-	3.4	(0.2)	(0.6)	0.2	5.4
Significant items - operating activities	-	(17.3)	-	-	1.5	-	1.5	(17.3)
Significant items - loss on sale of discontinued operations *(1)*	(0.3)	-	(3.1)	-	-	-	(3.4)	-
Net other finance costs	-	(0.2)	-	(0.2)	-	-	-	(0.4)
Result before interest and tax	0.1	(14.9)	(3.1)	3.2	1.3	(0.6)	(1.7)	(12.3)
Net interest	(0.1)	(0.7)	-	(0.7)	(0.6)	(1.0)	(0.7)	(2.4)
Result before tax	(0.0)	(15.6)	(3.1)	2.5	0.7	(1.6)	(2.4)	(14.7)
Tax expense pre-significant items	(0.1)	(1.8)	-	(1.0)	-	-	(0.1)	(2.8)
Tax expense significant items - operating activities	-	-	-	-	-	-	-	-
Loss for the period	(0.1)	(17.4)	(3.1)	1.5	0.7	(1.6)	(2.5)	(17.5)

(1) There was no tax benefit applicable to the loss on sale of discontinued operations.

For the half-year ended 31 December	2012 $m	2011 Restated $m
Net cash used in operating activities	(0.3)	(17.6)
Net cash from/(used in) investing activities	75.0	(3.7)
Net cash from financing activities (excluding internal transactions)	-	18.8
Net cash from/(used in) discontinued operations	74.7	(2.5)

Note 10. Discontinued operations – (continued)

Effect of disposal on the financial position of the Consolidated Entity

The effect of the disposal of the South Africa (Europe segment) and Slovakia, Hungary, Slovenia, Croatia and Serbia (Europe segment) merchanting operations on the financial position of the Consolidated Entity is set out below:

	Total 2012 $m
Current assets	
Cash and cash equivalents	1.4
Trade and other receivables	27.3
Inventories	11.5
Total current assets	40.2
Non-current assets	
Property, plant and equipment	0.7
Intangible assets	0.1
Deferred tax assets	0.1
Total non-current assets	0.9
Total assets	41.1
Current liabilities	
Trade and other payables	13.2
Loans and borrowings	2.2
Income tax payable	0.3
Total current liabilities	15.7
Non-current liabilities	
Payables	0.1
Employee benefits	0.0
Provisions	0.0
Total non-current liabilities	0.1
Total liabilities	15.8
Total net assets disposed	25.3
Gross consideration	32.6
Cash and cash equivalents disposed	1.4
Debt disposed	(2.2)
Working capital and other adjustments	(2.3)
Net proceeds	29.5
add Proceeds payable	0.3
Net proceeds received, satisified in cash	29.8
Transaction costs paid	(0.1)
Net cash inflow for the period	29.7

Note 11. Distributions and dividends

(a) Distributions on PaperlinX step-up preference securities

On 15 November 2012, the Directors of the Company announced that the distribution for the period 1 July to 31 December 2012 would not be paid.

The distribution rate for the period 1 January to 30 June 2013 is 7.5917%. The distribution is payable at the discretion of the Directors of the Company. In addition, the main lending facility in Europe contains a requirement to obtain lender approval for future hybrid distributions.

(b) Dividends on PaperlinX Limited ordinary shares

The Company is prohibited from paying dividends or making other distributions on any class of its share capital until such time as two consecutive distributions are paid by the PaperlinX SPS Trust (see Note 11(a)). As the December 2012 distribution was not paid, the Company does not meet the relevant criteria and no dividend can be paid.

Note 12. Assets and liabilities held for sale

On 17 July 2012, the Company announced that it had entered into agreements to sell:

- its merchanting operations in Slovakia, Hungary, Slovenia, Croatia and Serbia; and
- its merchanting operations in South Africa.

In accordance with AASB 5 – *Non-current Assets Held for Sale and Discontinued Operations,* the assets and liabilities of these operations were reclassified as held for sale as at 30 June 2012. The sale of the South African merchanting operations and the Hungary, Slovenia, Slovakia, Croatia and Serbia merchanting operations were completed on 10 September and 5 November 2012 respectively.

A warehouse, part of the Europe continuing segment, was reclassified as held for sale as at 30 June 2012. The warehouse remained classified as held for sale during the current reporting period.

Assets and liabilities held for sale comprised:

	As at 31 December 2012 $m	As at 30 June 2012 $m
Cash	-	1.7
Trade and other receivables	-	26.3
Inventories	-	9.5
Property, plant and equipment and intangibles	4.4	5.8
Other	-	0.1
Total assets held for sale	4.4	43.4
Trade and other payables	-	12.3
Loans and borrowings	-	2.3
Income tax payable	-	0.2
Total liabilities held for sale	-	14.8

Note 13. Acquisition of Canterbury Packaging

On 1 October 2012, the Consolidated Entity acquired 100% of the business and assets of Canterbury Packaging Limited, based in Christchurch, New Zealand. Canterbury Packaging is a small distributor of industrial packaging consumables, hygiene, safety and hospitality products to customers predominantly in the Christchurch area. The business was acquired to accelerate growth in the Consolidated Entity's diversified business.

In the three months to 31 December 2012, Canterbury Packaging contributed revenue of $0.75m and profit after tax of $0.06m to the Consolidated Entity's results.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	$m
Cash	1.9
Total consideration transferred	1.9

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	$m
Property, plant and equipment	0.0
Inventories	0.3
Leave entitlements	(0.0)
Total net identifiable assets	0.3

Note 13. Acquisition of Canterbury Packaging – (continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$m
Total consideration transferred	1.9
Fair value of identifiable assets	0.3
Goodwill	1.6

The goodwill is attributable mainly to anticipated future earnings streams and the skills and technical talent of Canterbury Packaging's work force. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of $0.04m relating to external legal fees and due diligence costs. These amounts have been included in other expenses in the condensed consolidated income statement.

Note 14. Impairment review of non-current assets

As required under AASB 136 *Impairment of Assets*, the Consolidated Entity performs an impairment assessment when there is an indication or 'trigger' of a possible impairment of its non-current assets and, in addition, at least annually performs an impairment review of goodwill and indefinite life intangible assets, regardless of whether an impairment trigger has been identified. The annual review of goodwill and indefinite life intangible assets was performed at 30 June 2012. A review for impairment triggers was undertaken at 31 December 2012.

Goodwill

At reporting date, Australia, New Zealand and Asia ("ANZA") and Canada are the only Consolidated Entity Cash Generating Units ("CGUs") with goodwill. After considering the trading performance of the ANZA and Canada CGUs for the six months to 31 December 2012 and the other factors outlined in AASB 136, no impairment triggers were identified and therefore no goodwill impairment testing was undertaken.

In the restated prior comparative period, impairment testing identified goodwill impairments in the Merchanting Europe segment of $21.1m and the Discontinued Operations segment of $15.0m.

Computer software

A decision to suspend further rollouts of the preferred European enterprise software package coupled with uncertainty around the selection of a new enterprise software platform for the United Kingdom operations has resulted in an impairment charge of $17.4m being booked against the carrying value of computer software in the Merchanting Europe segment (2011: $(0.4)m).

Brand names

The review of brand names identified significant uncertainty around the ongoing commitment to the promotion and sale of capitalised own brands, particularly in the United Kingdom, resulting in an impairment charge of $7.3m being booked against the carrying value of brand names in the Merchanting Europe segment (2011: $nil).

Note 15. Loans and borrowings

For the half-year ended 31 December	2012 $m	2011 $m
Balance at beginning of period	227.8	287.3
Borrowings		
• Unsecured loan - Malaysia	-	1.5
Expiring facilities		
• Unsecured loan - Malaysia	-	(0.6)
Other net drawdowns	10.2	54.9
Net proceeds from borrowings	10.2	55.8
Movement in capitalised borrowing costs	0.2	(0.4)
Foreign exchange	2.7	(24.5)
Balance at end of period	240.9	318.2
Balance at the end of the period comprises:		
Current liabilities		
• Bank loans - secured	159.5	218.6
• Bank loans - unsecured	3.7	6.5
• Other loans - unsecured	0.1	0.1
• Capitalised borrowing costs	(0.3)	(0.3)
	163.0	224.9
Non-current liabilities		
• Bank loans - secured	78.7	96.7
• Capitalised borrowing costs	(0.8)	(3.4)
	77.9	93.3
Total loans and borrowings	240.9	318.2

On 20 February 2013, members of the Consolidated Entity executed an Amendment Agreement with their major European lender to extend the maturity date of the Consolidated Entity's largest debt facility by 12 months to 30 September 2014. As the Agreement was signed post balance date, the borrowing has been classified as a current liability.

As at the date of this report, the regional asset backed facilities in Australia, New Zealand, Canada and Europe have availability periods of between 15 to 46 months, and include regional covenant measures. These will vary by region and may include fixed charge coverage ratios, interest cover, EBITDA, net worth tests and gearing levels. These facilities have restrictions on the ability to draw down and move cash within the Consolidated Entity.

The regional asset backed facilities in Australia, New Zealand and Europe involve the sale of receivables. In Canada, the regional facility is secured by both receivables and inventory. In the United Kingdom, the facility is secured by receivables.

The Consolidated Entity has the discretion and intention to rollover a portion of the obligations of the Australian and New Zealand facilities for at least twelve months from balance date. The amount that has been determined as non-current is the lowest expected balance of these facilities in the twelve month period post balance date based on management forecasts.

Note 16. Employee retirement benefits

As required under AASB 119 *Employee Benefits*, the Consolidated Entity undertakes a full actuarial review of material defined benefit plans each financial year. The previous actuarial review was undertaken at 30 June 2012. A desktop review has been undertaken to determine whether there has been a material change in the net balance sheet obligation since 30 June 2012 based on market conditions at 31 December 2012. An estimated actuarial loss of $26.4 million was identified in relation to the major plans in Europe primarily due to lower discount rates, as well as a small foreign exchange loss due to currency movements during the period. This was partially offset with top-up contributions by the Consolidated Entity.

The movement in the net employee retirement benefit obligation is as follows:

For the half-year ended 31 December	2012 $m	2011 $m
Opening balance	105.9	88.5
Estimated net pension contributions	(4.3)	(6.0)
Foreign exchange translation loss/(gain)	1.1	(5.2)
Estimated actuarial loss *(1)*	26.4	21.1
Closing balance	129.1	98.4

(1) Major European plans only, translated at the spot rate at 31 December.

Note 17. Issued capital

	As at 31 December 2012 $m	As at 30 June 2012 $m
Issued capital		
Issued and paid-up share capital - 609,280,761 ordinary shares (June 2012: 609,280,761)	1,895.6	1,894.0
Employee share plan loans	(0.5)	(0.5)
Total issued capital	1,895.1	1,893.5

For the half-year ended 31 December	2012 $m	2011 $m
Movement in employee share plan loans:		
Balance at beginning of reporting period	(0.5)	(0.7)
Balance at end of reporting period	(0.5)	(0.7)

For the half-year ended 31 December	2012 thousands of shares	2011 thousands of shares
Movement in issued shares		
Ordinary shares on issue at beginning of reporting period	609,280.8	603,580.8
Shares issued under employee short and long-term incentive plans	-	5,700.0
Ordinary shares on issue at end of reporting period	609,280.8	609,280.8

Employee share plan loans

Loans to Executive Directors, officers and employees in the full-time employment of the Consolidated Entity were made in accordance with the Employee Share Purchase (Non-recourse Loan) Plan to provide financial assistance to enable Executive Directors and employees of the Consolidated Entity to purchase shares in the Company as approved by the Company shareholders. The plan ceased in 2004. The shares were treated as options, and the fair value of those options was recognised in the accounts of the Consolidated Entity in prior reporting periods. The loans are interest free and are reduced either by dividends paid on the shares or by proceeds from sale of the shares in case of forfeiture.

Loans to executives to acquire shares in an entity subsequently acquired by the Company were made under an Executive Share Purchase Plan in 1989. The plan is closed. The loans are interest free. 50% of PaperlinX Limited ordinary dividends are used to pay down the loans, and employees have two years after termination of employment to repay outstanding loan balances.

Options

At the reporting date, there are 108,200 (2011: 2,489,041) unissued shares of the Company which are under option whose exercise is subject to the satisfaction of the terms of the option agreements. The details of the options on issue at balance date are as follows:

For the half-year ended 31 December	2012 number	2011 number
Outstanding at the beginning of the period	154,853	4,494,454
Lapsed during the period	(46,653)	(2,005,413)
Outstanding at the end of the period	108,200	2,489,041

Rights

At the reporting date, there are nil (2011: 5,065,148) rights to potentially acquire fully paid ordinary shares in the Company. The movement of the rights on issue during the reporting period are as follows:

For the half-year ended 31 December	2012 number	2011 number
Outstanding at the beginning of the period	4,000,553	12,336,327
Lapsed during the period	(965,553)	(2,404,347)
Exercised	(3,035,000)	(4,866,832)
Outstanding at the end of the period	-	5,065,148

Note 18. Reconciliation of cash flows from operating activities

For the half-year ended 31 December	Note	2012 $m	2011 $m
Reconciliation of loss after tax to net cash from operating activities			
Loss for the period		(57.3)	(60.9)
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles		7.4	10.4
• Impairment of property, plant, equipment and intangibles	6	24.7	39.4
• Loss on disposal of controlled entities	6	3.4	-
• Profit on disposal of property, plant and equipment		(1.4)	(0.2)
• Employee share based payments expense		-	0.4
• Movement in fair value of currency option and loan	6	-	(0.2)
• Amortisation of capitalised borrowing costs		0.2	1.6
Add back other items classified as investing/financing:			
• Provision for costs related to closure of discontinued Tasmanian operations		-	0.1
• Borrowing costs expensed		0.5	0.2
Decrease/(increase) in trade and other receivables		20.3	(8.8)
Decrease/(increase) in inventories		0.2	(1.2)
Decrease in trade and other payables		(60.6)	(24.0)
Decrease in provisions		(0.9)	(7.5)
Decrease in current and deferred taxes		2.7	1.7
Net cash used in operating activities		(60.8)	(49.0)
Reconciliation of cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term money market investments, net of outstanding bank overdrafts. Cash as at 31 December as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash and cash equivalents		102.3	115.6
Bank overdrafts		-	(11.3)
		102.3	104.3

Note 19. Contingent liabilities

	As at 31 December 2012 $m	As at 30 June 2012 $m
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	9.0	6.8
• Other guarantees	2.7	2.9
• Other	0.3	0.4
Total contingent liabilities	12.0	10.1

The bank guarantees (trade), the beneficiaries of which are third parties, are primarily in relation to rental leases.

Other guarantees, the beneficiaries of which are government departments, are bank guarantees in relation to the specific requirement of self-insurance licences for workers' compensation in Australia.

Under the terms of the ASIC Class Order 98/1418 dated 13 August 1998 (as amended) the Company and certain subsidiaries have entered into approved deeds for the cross guarantee of liabilities.

The Consolidated Entity has given certain warranties and indemnities to the purchasers of the USA, Italy, Hungary, Slovenia, Serbia, Croatia and Slovakia operations. Warranties have been given in relation to matters including the sale of assets, taxes, people, legal, environmental and intellectual property. Indemnities have also been given in relation to matters including legal and employee claims and pre-completion taxes.

At the time of signing this report, two claims for $0.2million have been made by the buyers under any such warranties and indemnities. It is not possible to quantify the potential financial obligation (if any) of the Consolidated Entity under these indemnities.

There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

Note 20. Events subsequent to balance date

Dividends on the Company's ordinary shares

No interim dividend has been declared for the period ended 31 December 2012 - refer Note 11.

Extension of major European debt facility

On 20 February 2013, members of the Consolidated Entity executed an Amendment Agreement with their major European lender to extend the maturity date of the Consolidated Entity's largest debt facility by 12 months to 30 September 2014 - refer Note 15.

Other than the above, there have been no events subsequent to 31 December 2012 which would have a material effect on the condensed consolidated interim financial report of the Consolidated Entity at 31 December 2012.

DIRECTORS' DECLARATION

In the opinion of the Directors of PaperlinX Limited ("the Company"):

1 The condensed consolidated financial statements and notes set out on pages 5 to 23 are in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2012 and of its performance for the half-year ended on that date; and

- Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

In accordance with a resolution of the Directors, dated at Melbourne, this 21st day of February 2013.

Signed in accordance with a resolution of the Directors:

Michael Barker	Robert Kaye SC
Chairman	**Director**

KPMG

Independent auditor's review report to the members of PaperlinX Limited

We have reviewed the accompanying interim financial report of PaperlinX Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of PaperlinX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of PaperlinX Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner

Melbourne

21 February 2013