PaperlinX Limited
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Cross release to PXU

20 February 2014

ASX Market Announcements
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

2014 Interim Results

We attach the following for release to the market:-

1. ASX Appendix 4D and Interim Financial Report for 31 December 2013
2. ASX Release "PaperlinX 2014 Interim Results"
3. 2014 Interim Results Presentation – Analyst Briefing

Regards,

Michelle Wong
Company Secretary

Encl.

APPENDIX 4D

(Rules 4.2A.3)

Name of entity:	**PAPERLINX LIMITED**
ABN:	**70 005 146 350**
For the half-year ended:	**31 December 2013**
Previous corresponding period:	31 December 2012

Results for announcement to the market

	2013 A$m	2012 A$m		% Change
External revenues from ordinary activities:				
• continuing operations	1,475.5	1,440.1	up	2%
• discontinued operations	-	27.4	down	100%
	1,475.5	1,467.5	up	1%

	2013 A$m	2012 Restated *(1)* A$m		% Change
Net loss for the period after tax:				
• continuing operations	(28.2)	(56.1)	down	50%
• discontinued operations	(0.2)	(2.5)	down	92%
	(28.4)	(58.6)	down	52%
attributable to:				
Equity holders of PaperlinX Limited	(28.4)	(58.6)	down	52%

(1) The comparative amounts disclosed above have been re-presented as if the changes to accounting standard AASB 119 Employee Benefits had been effective 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 2013	31 December 2012
Net tangible assets per security	$(0.06)	$(0.02)

Details of entities over which control has been gained or lost

N/A

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: 20 February 2014

INTERIM FINANCIAL REPORT

of PaperlinX Limited

31 December 2013

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 2013 and the auditor's 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 R G (Robert) Kaye SC	Director since 27 September 2012. Chairman since 28 March 2013.
Mr M D (Michael) Barker	Director since 27 September 2012. Chairman from 1 October 2012 to 28 March 2013.
Executive	
Mr A J (Andrew) Price	Director since 1 September 2012. Executive Director since 14 November 2012. Appointed Managing Director and Chief Executive Officer on 18 September 2013.

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 20 February 2014.

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 2013.

Extension of the Auditor's Lead Partner role

Mr Paul McDonald played a significant role in the audit of PaperlinX for the five successive financial years since 30 June 2009. The Audit Committee considered and recommended the extension of Mr McDonald's term to a sixth financial year. To comply with regulatory requirements, the Board passed a resolution to approve the extension of Mr Paul McDonald's role as the lead partner in the audit of PaperlinX for the sixth financial year (i.e. for the year ending 30 June 2014).

The approval:

(a) Is consistent with maintaining the quality of the audit provided to PaperlinX; and
(b) Does not give rise to a conflict of interest situation (as defined in section 324CD of the Corporations Act 2001).

The Board was satisfied in giving the approval because of the following reasons:

(a) Mr Paul McDonald's knowledge of the Company will:
   - assist KPMG to maintain the quality of the audit and provide the Board with an appropriate level of independent assurance in the event of and not limited to a transaction involving the equity of the Company, continuation of significant restructuring of the business operations in Europe and extension and/or replacement of existing European lending facilities
   - provide continuity of knowledge and assist the Audit Committee Chairman and Chief Financial Officer who have only been in their roles since September 2012 and December 2012 respectively in their transition;

(b) Mr Paul McDonald's involvement will not impair the independence of the 2014 audit due to the auditor independence policies operated by KPMG and PaperlinX.

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 20th day of February 2014.

Robert Kaye SC	Michael Barker
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 2013 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

Paul J McDonald
Partner

Melbourne
20 February 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December	Note	2013 $m	2012 Restated *(1)* $m
Continuing operations			
Revenue from sale of goods		1,475.5	1,440.1
Cost of inventory sold		(1,191.7)	(1,159.8)
Gross profit		283.8	280.3
Other income		3.4	4.6
Personnel costs		(158.3)	(163.7)
Logistics and distribution		(91.4)	(85.0)
Sales and marketing		(1.7)	(2.9)
Impairment of intangible assets	10	-	(24.7)
Other expenses		(53.1)	(54.4)
Result from operating activities		(17.3)	(45.8)
Net finance costs		(8.0)	(6.3)
Loss before tax		(25.3)	(52.1)
Tax expense		(2.9)	(4.0)
Loss from continuing operations		(28.2)	(56.1)
Discontinued operations			
Loss from discontinued operations, net of tax	8	(0.2)	(2.5)
Loss for the period		(28.4)	(58.6)
Loss for the period attributable to:			
Equity holders of PaperlinX Limited		(28.4)	(58.6)
Basic earnings per share (cents)	7	(4.7)	(9.6)
Basic earnings per share from continuing operations (cents)	7	(4.6)	(9.2)
Diluted earnings per share (cents)	7	(4.7)	(9.6)
Diluted earnings per share from continuing operations (cents)	7	(4.6)	(9.2)

(1) Refer Note 3.

Condensed notes 1 to 17 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	2013 $m	2012 Restated *(1)* $m
Loss for the period	(28.4)	(58.6)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial adjustments on defined benefit plans	-	(24.5)
Income tax (expense)/benefit relating to items that will not be reclassified to profit or loss	(2.3)	2.7
Total items that will not be reclassified to profit or loss	(2.3)	(21.8)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	20.7	4.5
Total items that may be reclassified subsequently to profit or loss	20.7	4.5
Items reclassified to profit or loss		
Exchange differences on disposal of controlled entities	-	3.3
Total items reclassified to profit or loss	-	3.3
Other comprehensive income/(loss) for the period, net of tax	18.4	(14.0)
Total comprehensive loss for the period, net of tax	(10.0)	(72.6)
Total comprehensive loss for the period attributable to:		
Equity holders of PaperlinX Limited	(10.0)	(72.6)

(1) Refer Note 3.

Condensed notes 1 to 17 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 2013 $m	As at 30 June 2013 $m
Current assets			
Cash and cash equivalents		105.8	87.8
Trade and other receivables		643.8	601.9
Income tax receivable		2.6	11.1
Inventories		320.4	302.4
Total current assets		1,072.6	1,003.2
Non-current assets			
Receivables		3.3	3.6
Investments		1.3	1.1
Property, plant and equipment		42.0	41.4
Intangible assets		82.4	78.8
Deferred tax assets		32.5	33.2
Total non-current assets		161.5	158.1
Total assets		1,234.1	1,161.3
Current liabilities			
Bank overdrafts		0.1	0.1
Trade and other payables		412.6	396.8
Loans and borrowings	11	171.6	81.3
Income tax payable		2.3	8.8
Employee benefits		12.6	15.9
Provisions		24.3	28.6
Total current liabilities		623.5	531.5
Non-current liabilities			
Payables		1.4	1.3
Loans and borrowings	11	111.1	129.1
Deferred tax liabilities		1.4	1.5
Employee benefits		138.2	129.7
Provisions		6.6	6.5
Total non-current liabilities		258.7	268.1
Total liabilities		882.2	799.6
Net assets		351.9	361.7
Equity			
Issued capital	13	1,895.6	1,895.6
Reserves		(103.0)	(123.9)
Accumulated losses		(1,717.2)	(1,686.5)
Total equity attributable to holders of ordinary shares of PaperlinX Limited		75.4	85.2
PaperlinX step-up preference securities		276.5	276.5
Total equity		351.9	361.7

Condensed notes 1 to 17 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 2013 $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 2013	1,895.6	(125.3)	(0.1)	-	1.5	(1,686.5)	276.5	**361.7**
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	(28.4)	-	**(28.4)**
Other comprehensive income								
• Exchange differences on translation of overseas subsidiaries	-	20.7	-	-	-	-	-	**20.7**
• Income tax expense on other comprehensive income	-	-	-	-	-	(2.3)	-	**(2.3)**
Total other comprehensive income/(loss)	-	20.7	-	-	-	(2.3)	-	**18.4**
Total comprehensive (loss)/income for the period	-	20.7	-	-	-	(30.7)	-	**(10.0)**
Transactions with owners recorded directly in equity								
• Employee share-based payment transactions	-	-	-	-	0.2	-	-	**0.2**
Total transactions with owners	-	-	-	-	0.2	-	-	**0.2**
Balance at 31 December 2013	1,895.6	(104.6)	(0.1)	-	1.7	(1,717.2)	276.5	**351.9**

Condensed notes 1 to 17 form part of these financial statements and are to be read in conjunction therewith.

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 *(1)*	-	-	-	-	-	(58.6)	-	**(58.6)**
Other comprehensive income								
• Actuarial adjustments on defined benefit plans *(1)*	-	-	-	-	-	(24.5)	-	**(24.5)**
• 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 *(1)*	-	-	-	-	-	2.7	-	**2.7**
Total other comprehensive (loss)/income	-	7.8	-	-	-	(21.8)	-	**(14.0)**
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**

(1) Refer Note 3.

Condensed notes 1 to 17 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	2013 $m	2012 $m
Cash flows from operating activities			
Receipts from customers		1,500.3	1,495.7
Payments to suppliers and employees		(1,524.6)	(1,549.3)
Interest received		0.6	1.0
Interest paid		(7.1)	(6.7)
Income taxes refunded/(paid)		0.9	(1.5)
Net cash used in operating activities	15	(29.9)	(60.8)
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		(2.2)	(4.8)
Net (payments)/proceeds from the sale of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed		0.1	77.5
• Property, plant and equipment		0.1	8.0
Tasmanian manufacturing operations closure payments		(0.6)	(3.5)
Net cash (used in)/from investing activities		(2.6)	75.3
Cash flows from financing activities			
Proceeds from borrowings		63.2	30.1
Repayment of borrowings		(17.7)	(19.9)
Purchase of own shares for employees		-	(0.2)
Transaction costs paid for takeover offer - PaperlinX SPS units		(0.8)	-
Capitalised borrowing costs paid		(0.4)	-
Other borrowing costs paid		(1.0)	(0.5)
Net cash from financing activities		43.3	9.5
Net increase in cash and cash equivalents		10.8	24.0
Cash and cash equivalents at the beginning of the period		87.7	80.0
Effect of exchange rate changes on cash held		7.2	(1.7)
Cash and cash equivalents at the end of the period	15	105.7	102.3

Condensed notes 1 to 17 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 2013 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 materials, including packaging, sign and display and graphic supplies.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2013 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,* IAS 34 *Interim Financial Reporting* and the Corporations Act 2001.

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 2013.

This condensed consolidated interim financial report was approved by the Board of Directors on 20 February 2014.

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 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 its operations.

The Consolidated Entity is primarily funded by receivables-backed and inventory-backed facilities. As disclosed in Note 11, the major line of finance was renegotiated and an amended agreement was executed on 19 February 2014. The amended agreement has an expiry date of September 2015 and continues to include covenants related to trading performance (tested on a quarterly, non-cumulative basis) and other restrictions and obligations. In addition, the Consolidated Entity has extended existing lines of credit, and entered into new facilities with financiers in a number of European jurisdictions.

The ability of the Consolidated Entity to meet its operational cash requirements and remain within the limits of the existing debt facilities in the foreseeable future is dependent in part on meeting forecast trading results and cash flows. These forecasts 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 reasonably possible changes in trading performance, show that the Consolidated Entity should be able to operate within the level and terms of its current facilities for the next 12 months. This notwithstanding, the current economic environment in some of the major operating jurisdictions and structural changes in the traditional paper markets present challenges in terms of sales volume, pricing and input costs. The trading environment creates uncertainties about future trading results and cash flows and the economic entity is forecast to continue to incur net operating cash outflows for the next 12 months as a result of a challenging trading environment and the implementation of restructure plans. In addition, the existing facilities include regional specific covenants and restrictions on the ability to draw down debt facilities and move cash within the Consolidated Entity.

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

After making enquiries, and considering the 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 they fall due and remain within the limits of its debt facilities. For these reasons, they continue to adopt the going concern basis in preparing the Consolidated 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 2013.

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 10 *Consolidated Financial Statements,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 11 *Joint Arrangements,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 12 *Disclosures of Interests in Other Entities,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 127 *Separate Financial Statements (2011),* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 128 *Investments in Associates and Joint Ventures (2011),* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 13 *Fair Value Measurement* and related AASB 2011-8 *Amendments to Australian Accounting Standards arising from* AASB 13
- AASB 119 *Employee Benefits (2011),* AASB 2011-10 *Amendments to Australian Accounting Standards arising from* AASB 119 (2011)
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures*
- AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments.*

The adoption of these standards, with the exception of the revised AASB 119, did not have any financial impact on the current reporting period or the prior comparative reporting period. However, the application of AASB 119 has resulted in changes to the basis for determining the income/expense related to defined benefit plans. Under the revised standard, the net interest on the net defined benefit liability (asset) comprises interest cost on the defined benefit obligation, interest income on plan assets and interest on the effect on the asset ceiling, all now calculated using agreed discount rates. Previously, the interest income on plan assets was based on their long-term rate of expected return. 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 2014. The following table summarises the impact of the changes above on the Consolidated Entity's total comprehensive income (refer the 'Restatement' column). The change in accounting policy had no effect on the comparative period defined benefit pension obligation - refer Note 12.

For the six months ended 31 December 2012	**As previously reported $m**	**Reclassification *(1)* $m**	**Restatement $m**	**As restated $m**
Continuing operations				
Revenue from sale of goods	1,440.1	-	-	1,440.1
Cost of inventory sold	(1,159.8)	-	-	(1,159.8)
Gross profit	280.3	-	-	280.3
Other income	4.6	-	-	4.6
Personnel costs	(156.1)	(6.2)	(1.4)	(163.7)
Logistics and distribution	(85.0)	-	-	(85.0)
Sales and marketing	(2.9)	-	-	(2.9)
Impairment of intangible assets	(24.7)	-	-	(24.7)
Other expenses	(60.6)	6.2	-	(54.4)
Result from operating activities	**(44.4)**	**-**	**(1.4)**	**(45.8)**
Net finance costs	(6.3)	-	-	(6.3)
Loss before tax	**(50.7)**	**-**	**(1.4)**	**(52.1)**
Tax expense	(4.1)	-	0.1	(4.0)
Loss from continuing operations	(54.8)	-	(1.3)	(56.1)
Discontinued operations				
Loss from discontinued operations, net of tax	(2.5)	-	-	(2.5)
Loss for the period	(57.3)	-	(1.3)	(58.6)
Other comprehensive income				
Actuarial adjustments on defined benefit plans	(25.9)	-	1.4	(24.5)
Income tax benefit relating to items that will not be reclassified to profit or loss	2.8	-	(0.1)	2.7
Others	7.8	-	-	7.8
Other comprehensive loss for the period, net of tax	(15.3)	-	1.3	(14.0)
Total comprehensive loss for the period	(72.6)	-	-	(72.6)

(1) During the current reporting period, the Consolidated Entity reclassified the costs associated with salary packaged motor vehicles for European employees from "other expenses" to "personnel costs", to more accurately reflect the nature of the expenses and ensure consistency with the reporting of these costs in the other operating segments. Comparative amounts have been reclassified accordingly in the Condensed Consolidated Income Statement, resulting in $6.2 million of expenses being reclassified from "other expenses" to "personnel costs"

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 were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2013.

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. Europe comprises the United Kingdom, Ireland and Continental Europe.
Discontinued operations	Comprises merchanting operations in United States of America (sale completed July 2012); Italy (sale completed July 2012); South Africa (sale completed September 2012); and Hungary, Slovakia, Slovenia, Serbia and Croatia (sale completed November 2012). Also comprises paper manufacturing - Australian Paper business (sale completed May 2009) and Tas Paper (closure completed in June 2010). Refer Note 8 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 2013									
External sales revenue		1,042.3	213.6	219.6	-	1,475.5	-	-	1,475.5
Inter-segment sales revenue		-	-	1.8	(1.8)	-	-	-	-
Total revenue		1,042.3	213.6	221.4	(1.8)	1,475.5	-	-	1,475.5
(Loss)/profit before net finance costs, tax and significant items		(19.1)	7.4	9.2	(5.6)	(8.1)	(0.1)	-	(8.2)
Net other finance costs		-	-	-	(1.5)	(1.5)	-	-	(1.5)
Underlying (loss)/profit before interest and tax		(19.1)	7.4	9.2	(7.1)	(9.6)	(0.1)	-	(9.7)
Significant items (pre-tax)	6	(7.4)	(0.4)	(0.4)	(1.0)	(9.2)	0.1	-	(9.1)
(Loss)/profit before interest and tax		(26.5)	7.0	8.8	(8.1)	(18.8)	-	-	(18.8)
Net interest					(6.5)	(6.5)	(0.2)	-	(6.7)
Loss before tax					(14.6)	(25.3)	(0.2)	-	(25.5)
Tax expense - pre-significant items					(3.0)	(3.0)	-	-	(3.0)
Tax benefit - significant items	6				0.1	0.1	-	-	0.1
Loss for the period					(17.5)	(28.2)	(0.2)	-	(28.4)
The loss before tax includes:									
Depreciation and amortisation		(3.6)	(0.9)	(0.8)	(0.2)	(5.5)	-	-	(5.5)
Depreciation, amortisation and impairment		(3.6)	(0.9)	(0.8)	(0.2)	(5.5)	-	-	(5.5)
Capital expenditure		1.0	0.2	1.0	0.1	2.3	-	-	2.3
As at 31 December 2013									
Total assets		807.0	141.7	220.2	58.3	1,227.2	6.9	-	1,234.1
Total liabilities		442.5	57.0	65.3	310.6	875.4	6.8	-	882.2
Net assets/(liabilities)		364.5	84.7	154.9	(252.3)	351.8	0.1	-	351.9

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 2012 - Restated *(1)*									
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		(20.3)	4.6	7.6	(6.6)	(14.7)	0.2	-	(14.5)
Net other finance costs		-	-	-	(0.4)	(0.4)	-	-	(0.4)
Underlying (loss)/profit before interest and tax		(20.3)	4.6	7.6	(7.0)	(15.1)	0.2	-	(14.9)
Significant items (pre-tax)	6	(30.8)	-	-	(0.3)	(31.1)	(1.9)	-	(33.0)
(Loss)/profit before interest and tax		(51.1)	4.6	7.6	(7.3)	(46.2)	(1.7)	-	(47.9)
Net interest					(5.9)	(5.9)	(0.7)	-	(6.6)
Loss before tax					(13.2)	(52.1)	(2.4)	-	(54.5)
Tax expense - pre-significant items					(4.0)	(4.0)	(0.1)	-	(4.1)
Loss for the period					(17.2)	(56.1)	(2.5)	-	(58.6)
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 30 June 2013									
Total assets		738.2	142.5	222.4	51.1	1,154.2	7.1	-	1,161.3
Total liabilities		415.3	61.8	85.3	229.4	791.8	7.8	-	799.6
Net assets/(liabilities)		322.9	80.7	137.1	(178.3)	362.4	(0.7)	-	361.7

(1) Refer Note 3.

Note 6. Individually significant items

		Continuing			Discontinued			Total		
For the half-year ended 31 December	**Note**	**Pre -tax $m**	**Tax impact $m**	**Post -tax $m**	**Pre -tax $m**	**Tax impact $m**	**Post -tax $m**	**Pre -tax $m**	**Tax impact $m**	**Post -tax $m**
2013										
Loss on sale of controlled entities	8	-	-	-	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Restructuring costs		(9.2)	0.1	(9.1)	-	-	-	(9.2)	0.1	(9.1)
Write-back of provisions re closure of discontinued Tasmanian operations		-	-	-	0.2	-	0.2	0.2	-	0.2
Total individually significant items		(9.2)	0.1	(9.1)	0.1	-	0.1	(9.1)	0.1	(9.0)
2012										
Loss on sale of controlled entities	8	-	-	-	(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)

Note 7. Earnings per share

For the half-year ended 31 December	Continuing 2013 $m	Continuing 2012 Restated *(1)* $m	Discontinued 2013 $m	Discontinued 2012 $m	Total 2013 $m	Total 2012 Restated *(1)* $m
Loss for the period attributable to holders of ordinary shares in PaperlinX Limited	(28.2)	(56.1)	(0.2)	(2.5)	(28.4)	(58.6)
Weighted average number of shares - basic (millions)	609.3	609.3	609.3	609.3	609.3	609.3
Basic EPS (cents)	(4.6)	(9.2)	(0.1)	(0.4)	(4.7)	(9.6)
Weighted average number of shares - diluted (millions)	609.3	609.3	609.3	609.3	609.3	609.3
Diluted EPS (cents)	(4.6)	(9.2)	(0.1)	(0.4)	(4.7)	(9.6)

(1) Refer Note 3.

The options to purchase shares and rights on issue during the reporting periods ended 31 December 2013 and 31 December 2012 have not been included in determining the basic earnings per share.

The options to purchase shares and rights on issue during the half-year ended 31 December 2013 (weighted average 21.498 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 2012 (weighted average 2.009 million shares) have not been included in determining the diluted earnings per share for the prior period because they are anti-dilutive.

Note 8. Discontinued operations

Discontinued operations comprises merchanting and manufacturing operations sold or closed down.

Merchanting

Discontinued merchanting operations comprises:

- Italy (Polyedra), part of the Europe segment. Sale announced March 2012 and completed July 2012.
- USA (Spicers USA and Kelly Paper), part of the North America (now Canada) segment. Sale announced June 2012 and completed July 2012.
- Slovakia, Hungary, Slovenia, Croatia and Serbia, part of the Europe segment. Sale announced July 2012 and completed November 2012.
- South Africa, part of the Europe segment. Sale announced July 2012 and completed September 2012.

Manufacturing

Discontinued manufacturing operations comprises the Consolidated Entity's paper manufacturing businesses:

- Tas Paper – Wesley Vale Mill and part of the Burnie Mill closed March 2010. Remaining Burnie Mill operations were closed in June 2010.
- Australian Paper – sold effective 31 May 2009.

Result from discontinued operations

For the half-year ended 31 December	Europe 2013 $m	Europe 2012 $m	North America 2013 $m	North America 2012 $m	Manufacturing & Group Elims 2013 $m	Manufacturing & Group Elims 2012 $m	Total Discontinued Operations 2013 $m	Total Discontinued Operations 2012 $m
Revenue	-	27.4	-	-	-	-	-	27.4
Other income	-	-	-	-	-	0.7	-	0.7
Trading expenses	-	(27.0)	-	-	(0.1)	(0.9)	(0.1)	(27.9)
Result from operating activities before significant items, net finance costs, and tax	-	0.4	-	-	(0.1)	(0.2)	(0.1)	0.2
Significant items - operating activities	-	-	-	-	0.2	1.5	0.2	1.5
Significant items - loss on sale of discontinued operations	(0.1)	(0.3)	-	(3.1)	-	-	(0.1)	(3.4)
Result before interest and tax	(0.1)	0.1	-	(3.1)	0.1	1.3	0.0	(1.7)
Net interest	-	(0.1)	-	-	(0.2)	(0.6)	(0.2)	(0.7)
Result before tax	(0.1)	(0.0)	-	(3.1)	(0.1)	0.7	(0.2)	(2.4)
Tax expense pre-significant items	-	(0.1)	-	-	-	-	-	(0.1)
Tax expense significant items - operating activities	-	-	-	-	-	-	-	-
Loss for the period	(0.1)	(0.1)	-	(3.1)	(0.1)	0.7	(0.2)	(2.5)

Note 8. Discontinued operations – (continued)

Cash flow from discontinued operations

For the half-year ended 31 December	2013 $m	2012 $m
Net cash used in operating activities	(0.2)	(0.3)
Net cash (used in)/from investing activities	(0.6)	75.0
Net cash (used in)/from discontinued operations	(0.8)	74.7

Note 9. Distributions and dividends

(a) Distributions on PaperlinX step-up preference securities

On 25 October 2013, the Company announced that the distribution for the period 1 July to 31 December 2013 would not be paid. The interim distribution rate for the period 1 January to 30 June 2014 is 7.2800%. 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 9(a)). As the December 2013 distribution was not paid, the Company does not meet the relevant criteria and no dividend can be paid.

Note 10. 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 2013. A review for impairment triggers was undertaken at 31 December 2013.

Goodwill

At reporting date, Australia, New Zealand and Asia ("ANZA"), Canada and Continental Europe are the Consolidated Entity Cash Generating Units ("CGUs") with goodwill. After considering the trading performance of the ANZA, Canada and Continental Europe CGUs for the six months to 31 December 2013 and the other factors outlined in AASB 136, no impairment triggers were identified and therefore no goodwill impairment testing was undertaken (2012: $nil goodwill impairment).

Computer software

The Continental Europe, Canada and ANZA CGU's have capitalised software relating to ERP systems. There were no indications of impairment for these assets as at balance date. In the prior comparative reporting period, an impairment charge of $17.4m was booked against the carrying value of computer software in the Merchanting Europe segment.

Brand names

Due to the significant uncertainty around the ongoing commitment to the promotion and sale of capitalised own brands, the carrying value of brand names was fully impaired in the prior comparative reporting period. There has been no change to this treatment in the current reporting period.

Note 11. Loans and borrowings

For the half-year ended 31 December	2013 $m	2012 $m
Balance at beginning of period	210.4	227.8
Borrowings		
New facilities		
• Trade receivable funding - Germany	18.2	-
• Trade receivable funding - Czech Republic	7.0	-
Other net drawdowns	20.3	10.2
Net proceeds from borrowings	45.5	10.2
Movement in capitalised borrowing costs	(0.1)	0.2
Foreign exchange	26.9	2.7
Balance at end of period	282.7	240.9
Balance at the end of the period comprises:		
Current liabilities		
• Bank loans - secured	167.2	159.5
• Bank loans - unsecured	4.9	3.7
• Other loans - unsecured	-	0.1
• Capitalised borrowing costs	(0.5)	(0.3)
	171.6	163.0
Non-current liabilities		
• Bank loans - secured	111.7	78.7
• Capitalised borrowing costs	(0.6)	(0.8)
	111.1	77.9
Total loans and borrowings	282.7	240.9

On 19 February 2014, 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 2015. 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 5 to 43 months, and include regional covenant measures. These will vary 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, United Kingdom and Europe involve the securitisation of receivables. A number of smaller European facilities are factoring agreements and operate similar to the securitisation programs. In Canada and New Zealand, the regional facilities are secured by both receivables and inventory. The amount of receivables pledged as part of the regional loan facilities and the smaller European facilities at balance date was $277.2 million (December 2012: $231.9 million). The amount of inventories pledged as part of the regional loan facilities at balance date was $1.7 million (December 2012: $5.3 million).

The Consolidated Entity has the discretion and intention to rollover a portion of the obligations of the United Kingdom, Australian and New Zealand facilities, and some of the European factoring 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 12. 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 2013. A desktop review has been undertaken to determine whether there has been a material change in the net balance sheet obligation since 30 June 2013 based on market conditions at 31 December 2013. While no actuarial gain/loss was identified, unfavourable movements in exchange rates led to a foreign exchange translation loss, partially offset by 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	2013 $m	2012 Restated *(1)* $m
Opening balance	126.1	105.9
Estimated net pension contributions	(5.8)	(2.9)
Foreign exchange translation loss	14.0	1.1
Estimated actuarial loss	-	25.0
Closing balance	134.3	129.1

(1) The application of the revised AASB 119 - Employee Benefits (refer Note 3) has resulted in an increase in the net pension expense in the comparative reporting period of $1.4 million, offset by a reduction in the estimated actuarial loss of $1.4 million. The change in standard had no effect on the overall net employee retirement benefit obligation in the comparative reporting period.

Note 13. Issued capital

	As at 31 December 2013 $m	As at 30 June 2013 $m
Issued capital		
Issued and paid-up share capital - 609,280,761 ordinary shares (June 2013: 609,280,761)	1,895.6	1,895.6
Total issued capital	1,895.6	1,895.6

For the half-year ended 31 December	2013 $m	2012 $m
Movement in employee share plan loans:		
Balance at beginning of reporting period	-	(0.5)
Balance at end of reporting period	-	(0.5)

For the half-year ended 31 December	2013 thousands of shares	2012 thousands of shares
Movement in issued shares		
Ordinary shares on issue at beginning of reporting period	609,280.8	609,280.8
Ordinary shares on issue at end of reporting period	609,280.8	609,280.8

Options

At the reporting date, there are 35,075,200 (December 2012: 108,200) unissued shares of the Company which are under option whose exercise is subject to the satisfaction of the terms of the option agreements. The movement in options on issue during the reporting period are as follows:

For the half-year ended 31 December	2013 number	2012 number
Outstanding at the beginning of the period	75,200	154,853
Lapsed during the period	-	(46,653)
Granted during the period *(1)*	35,000,000	-
Outstanding at the end of the period	35,075,200	108,200

(1) Options granted during the period under the Executive Director Options Plan relate to Mr A Price, in his role as an Executive Director of the Company. In addition to the options granted, shareholder approval has been given for the Company to extend to Mr A Price a loan of up to $500,000, for the purposes of meeting the upfront tax liabilities associated with the issue of the options. As at reporting date, this loan is undrawn.

Rights

At the reporting date, there are 7,214,963 (December 2012: nil) rights to potentially acquire fully paid ordinary shares in the Company. The movement in the rights on issue during the reporting period are as follows:

For the half-year ended 31 December	2013 number	2012 number
Outstanding at the beginning of the period	7,854,993	4,000,553
Lapsed during the period	(1,401,209)	(965,553)
Granted during the period	761,179	-
Exercised	-	(3,035,000)
Outstanding at the end of the period	7,214,963	-

Note 14. Takeover offer - PaperlinX SPS Units

On 18 October 2013, the Company announced its intention to make an off-market takeover offer for all of the PaperlinX Step-up Preference Securities (PaperlinX SPS Units) in the PaperlinX SPS Trust.

The Bidder's Statement containing the terms and conditions of the offer was lodged with the ASX on 5 December 2013. The offer comprises 250 PaperlinX shares for every PaperlinX SPS Unit acquired, with no minimum acceptance requirement. The offer period commenced on 18 December 2013, and was due to close on 29 January 2014, unless extended.

The offer was subject to the conditions outlined in section 10.12 of the Bidder's Statement:

- A favourable ruling from the Australian Taxation Office confirming that the acceptance of the offer should not impact the Australian tax losses of the Consolidated Entity and that there should not be any assessable gain as a result of the Company acquiring all PaperlinX SPS Units;
- No event or circumstance arising during the offer period which may have a material adverse effect on the PaperlinX SPS Trust; and
- No "Prescribed Occurrence" occurring during the offer period.

At the reporting date, none of these conditions had been resolved and the offer was still conditional. Acceptances had been received for 34,738 PaperlinX SPS Units (1.22%). $1.1 million of costs related to the takeover offer have been carried forward as current receivables and will be transferred to equity when the equity transaction is recognised.

On 22 January 2014, the Company announced that the offer was extended from 29 January 2014 to 28 February 2014. On 3 February 2014, the Company announced that the offer was final and unconditional and that the closing date of 28 February 2014 would not be extended.

On 18 February 2014, the first tranche of consideration was paid to Unitholders for acceptances received up to 12 February 2014, totalling 111,827 PaperlinX SPS Units (3.92%). Total consideration issued on this date was 28.0 million PaperlinX ordinary shares.

As at 18 February 2014, acceptances had been received for a further 18,338 PaperlinX SPS Units (0.64%), bringing the cumulative acceptances to 130,165 PaperlinX SPS Units (4.57%).

Note 15. Reconciliation of cash flows from operating activities

For the half-year ended 31 December	Note	2013 $m	2012 Restated (1) $m
Reconciliation of loss after tax to net cash from operating activities			
Loss for the period		(28.4)	(58.6)
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles		5.5	7.4
• Impairment of property, plant, equipment and intangibles	6	-	24.7
• Loss on disposal of controlled entities	6	0.1	3.4
• Profit on disposal of property, plant and equipment		-	(1.4)
• Employee share based payments expense		0.2	-
• Amortisation of capitalised borrowing costs		0.4	0.2
Add back other items classified as investing/financing:			
• Borrowing costs expensed		1.0	0.5
Decrease in trade and other receivables		15.4	20.3
Decrease in inventories		4.2	0.2
Decrease in trade and other payables		(19.1)	(60.6)
(Decrease)/increase in provisions		(13.1)	0.5
Decrease in current and deferred taxes		3.9	2.6
Net cash used in operating activities		(29.9)	(60.8)
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		105.8	102.3
Bank overdrafts		(0.1)	-
		105.7	102.3

(1) Refer Note 3.

Note 16. Contingent liabilities

	As at 31 December 2013 $m	As at 30 June 2013 $m
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	4.7	4.2
• Other guarantees	2.9	2.7
• Other	0.4	0.5
Total contingent liabilities	8.0	7.4

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, three claims for $0.4 million have been made by the buyers under such warranties and indemnities. Apart from these claims, 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 17. Events subsequent to balance date

Dividends on the Company's ordinary shares

No interim dividend has been declared for the period ended 31 December 2013 - refer Note 9.

Extension of major European debt facility

On 19 February 2014, 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 2015 - refer Note 11.

Update on takeover offer for PaperlinX SPS Units

On 22 January 2014, the Company’s off-market takeover offer for all of the PaperlinX Step-up Preference Securities (PaperlinX SPS Units) in the PaperlinX SPS Trust (refer Note 14) was extended from 29 January 2014 to 28 February 2014. On 3 February 2014, the Company announced that the offer was final and unconditional and that the closing date of 28 February 2014 would not be extended.

On 18 February 2014, the first tranche of consideration was paid to Unitholders for acceptances received up to 12 February 2014, totalling 111,827 PaperlinX SPS Units (3.92%). Total consideration issued on this date was 28.0 million PaperlinX ordinary shares.

As at 18 February 2014, acceptances had been received for a further 18,338 PaperlinX SPS Units (0.64%), bringing the cumulative acceptances to 130,165 PaperlinX SPS Units (4.57%).

Other than the above, there have been no events subsequent to 31 December 2013 which would have a material effect on the condensed consolidated interim financial report of the Consolidated Entity at 31 December 2013.

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 20 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 2013 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 20th day of February 2014.

Signed in accordance with a resolution of the Directors:

Robert Kaye SC	Michael Barker
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 2013, 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 17 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 half-year'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 control as the directors determine is 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 2013 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 2013 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
20 February 2014