CONCISE

FINANCIAL REPORT

OF

PAPERLINX LIMITED

YEAR ENDED 30 JUNE 2007

The financial statements and other specific disclosures have been derived from PaperlinX Limited and its Controlled Entities ("consolidated entity") full financial report for the financial year. Other information included on the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

A copy of the consolidated entity's 2007 Annual Financial Report, including the independent audit report, is available to all shareholders, and will be sent to shareholders without charge upon request. The 2006 Annual Financial Report can be requested by telephone (Australia: 1800 232 867), Overseas: 61 3 9415 4000) and by Internet at www.paperlinx.com.au

INCOME STATEMENT

For the year ended 30 June	CONSOLIDATED 2007 $M	2006 $M
Revenue	7,817.3	7,344.8
Other income	15.3	30.5
Expenses	(7,642.1)	(7,223.3)
Result from operating activities	190.5	152.0
Financial income	6.3	7.3
Financial expenses	(82.9)	(73.1)
Net financing costs	(76.6)	(65.8)
Profit before tax	113.9	86.2
Tax expense	(34.3)	(21.5)
Profit after tax expense but before profit from discontinued operations	79.6	64.7
Profit from discontinued operations, net of tax	0.6	0.7
Profit for the period	80.2	65.4
Profit for the period attributable to:		
Equity holders of PaperlinX Limited	80.1	65.4
Minority interest	0.1	-
	80.2	65.4
Basic earnings per share (cents)	16.4	14.7
Basic earnings per share from continuing operations (cents)	16.3	14.5
Diluted earnings per share (cents)	16.3	14.5
Diluted earnings per share from continuing operations (cents)	16.2	14.3

The income statement is to be read in conjunction with the discussion and analysis on page 6 and the notes 1 to 10 to the financial statements, as attached.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	CONSOLIDATED	
For the year ended 30 June	2007	2006
	$M	$M
Net foreign exchange differences on translation of overseas subsidiaries	(42.9)	26.7
Actuarial gains on defined benefit plans	20.6	30.0
Net income recognised in equity	(22.3)	56.7
Profit for the period	80.2	65.4
Total recognised income for the period	57.9	122.1
Total recognised income for the period attributable to:		
Equity holders of PaperlinX Limited	57.8	122.1
Minority interest	0.1	-
	57.9	122.1
Effects of change in accounting policy - Adjustment to comply with AASB139 Financial Instruments: Recognition and Measurement		
Equity holders of PaperlinX Limited	-	0.3
Minority interest	-	-
	-	0.3

The statement of recognised income and expense is to be read in conjunction with the discussion and analysis on page 6 and the notes 1 to 10 to the financial statements, as attached.

BALANCE SHEET

	CONSOLIDATED	
As at 30 June	2007	2006
	$M	$M
CURRENT ASSETS		
Cash and cash equivalents	448.8	455.1
Trade and other receivables	1,564.0	1,541.8
Inventories	861.2	864.1
Assets classified as held for sale	-	19.6
TOTAL CURRENT ASSETS	2,874.0	2,880.6
NON-CURRENT ASSETS		
Receivables	17.7	8.9
Investments	13.3	14.1
Property, plant and equipment	1,066.6	990.8
Intangible assets	417.9	421.6
Deferred tax assets	52.9	74.4
TOTAL NON-CURRENT ASSETS	1,568.4	1,509.8
TOTAL ASSETS	4,442.4	4,390.4
CURRENT LIABILITIES		
Trade and other payables	1,256.8	1,172.9
Loans and borrowings	494.9	221.7
Income tax payable	5.1	9.6
Employee benefits	47.1	41.4
Provisions	19.1	13.8
Liabilities classified as held for sale	-	0.9
TOTAL CURRENT LIABILITIES	1,823.0	1,460.3
NON-CURRENT LIABILITIES		
Payables	53.8	93.1
Loans and borrowings	565.7	1,136.7
Deferred tax liabilities	48.9	43.4
Employee benefits	37.8	37.3
Provisions	7.6	10.9
Deferred income	0.5	-
TOTAL NON-CURRENT LIABILITIES	714.3	1,321.4
TOTAL LIABILITIES	2,537.3	2,781.7
NET ASSETS	1,905.1	1,608.7
EQUITY		
Issued capital	1,701.5	1,691.9
Reserves	(87.9)	(45.0)
Retained profits	15.0	(38.2)
Total equity attributable to holders of ordinary shares of PaperlinX Limited	1,628.6	1,608.7
PaperlinX step-up preference securities	276.4	-
Minority interest	0.1	-
TOTAL EQUITY	1,905.1	1,608.7

The balance sheet is to be read in conjunction with the discussion and analysis on page 6 and the notes 1 to 10 to the financial statements, as attached.

STATEMENT OF CASH FLOWS

For the year ended 30 June	CONSOLIDATED 2007 $M	2006 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,803.6	7,390.7
Payments to suppliers and employees	(7,578.7)	(7,072.9)
Dividends received	0.5	0.8
Interest received	6.3	5.7
Interest paid	(82.6)	(69.6)
Income taxes paid	(16.3)	(6.1)
Other income received	10.1	11.2
NET CASH FROM OPERATING ACTIVITIES	142.9	259.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans advanced to other persons	(0.1)	(0.9)
Acquisition of:		
Controlled entities and businesses (net of cash and bank overdraft acquired)	(35.3)	(100.9)
Property, plant and equipment and intangibles	(177.4)	(101.4)
Partial refund of the purchase price in relation to an acquisition in a prior period	8.7	-
Proceeds from the sale of:		
Controlled entities and businesses (net of cash and bank overdraft disposed)	32.0	-
Discontinued operations	15.9	
Property, plant and equipment	24.0	51.1
NET CASH USED IN INVESTING ACTIVITIES	(132.2)	(152.1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(33.8)	(77.8)
Proceeds from employee share plan loans	0.1	0.1
Proceeds on issue of step-up preference securities	285.0	-
Issue costs of step-up preference securities	(8.6)	-
Proceeds from options exercised	0.8	-
Proceeds from borrowings	1,431.6	1,156.1
Repayment of borrowings	(1,666.8)	(1,171.3)
Principal finance lease repayments	(0.2)	-
NET CASH FROM / (USED) IN FINANCING ACTIVITIES	8.1	(92.9)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18.8	14.8
Cash and cash equivalents at the beginning of the period	453.9	427.8
Effect of exchange rate changes on cash	(23.9)	11.3
Cash and cash equivalents at the end of the period	448.8	453.9

The statement of cash flows is to be read in conjunction with the discussion and analysis on page 6 and the notes 1 to 10 to the financial statements, as attached.

DISCUSSION AND ANALYSIS

This discussion and analysis is provided to assist readers in understanding the concise financial report of PaperlinX Limited. The concise financial report has been derived from the full 2007 financial report.

Income Statement

The consolidated profit after tax was $80.1 million compared to the prior year of $65.4 million, up 22%. Earnings before interest and tax ("EBIT") of $185.5 million were up 22% on the prior year. EBIT included a range of one-off items both positive and negative. Reported profit included a net loss of $12.2 million attributable to one-off costs associated with the implementation of the Group's key strategic initiatives being partly offset by profit on sale of non-core assets.

The Paper Merchanting business achieved EBIT of $205.2 million, up 9% from $188.9 million in the prior year, helped by the inclusion of Spicers Canada for the full period. Earnings include a net loss of $(1.6) million, where profit on sale of surplus property assets only partly offset one-off restructuring costs associated with a number of strategic initiatives being undertaken in the paper merchanting business. Paper selling prices in our key European market were generally weak for coated woodfree paper, while uncoated woodfree benefited from increases in all regions. Sales volumes were up 2%, partly due to Spicers Canada, with volumes reduced in the UK, the Netherlands and New Zealand, mainly in the lower value indent (direct) volumes.

Operating earnings were impacted by higher earnings in Europe, up 11% in local currency, and North America, up 36% in local currency, which reflected the inclusion of Spicers Canada (9% excluding Spicers Canada). Australia, New Zealand and Asia were down 47% where the earnings remained under significant pressure from lower priced paper imports and currency impacts.

Paper Merchanting return on average funds employed increased to 11.9% from 11.4% in the prior year, and remains above the cost of capital. Overall expenses rose 2.1% (adjusting for acquisitions and direct currency). The year end working capital to sales ratio reduced to 13.5% from 14.7%. Average working capital for 2007 was in line with the prior year after adjusting for acquisitions.

Earnings from Australian Paper have remained under significant pressure but have seen the benefit of internal initiatives, cost control and efficiency programmes. EBIT of $10.2 million included a net $(10.6) million charge due primarily to restructuring and implementation costs associated with the Maryvale Mill pulp capacity upgrade including the outsourcing of the Maryvale Mill wood yard, partly offset by one-off gains on non-core asset sales. The continued impact of depressed Australian paper selling prices, as a combined result of a strong Australian dollar relative to the US dollar and over supply in global paper markets, and higher input costs, up $26 million compared to the prior year, have been absorbed. The current environment has not allowed these cost increases to be passed on. Overall sales volumes were down 3%.

During the year, plant operating efficiencies and supply chain costs have improved with targeted mix improvements seen. Strategic initiatives have also begun to deliver benefits, including the upgrade of the Maryvale number 1 sack kraft machine, the closure of the Shoalhaven number 1 and 2 paper machines and the creation of PaperlinX Office.

The first major shut for the pulp mill upgrade was completed on time despite industrial relations and weather issues. To date, over 90% of equipment and 30% of labour has been expended on the pulp mill upgrade. Two more major shuts are scheduled during the 2008 fiscal year. The cost of the project is now expected to be up to 25% above the original estimate of $203 million. The key impacts on costs result from higher material costs and the tight labour market in Australia, with industrial relations and weather the key risks to timely completion. Benefits to be realised in 2009 are expected to deliver returns in line with expectations, assisted by high imported pulp prices.

Corporate was a net cost of $29.9 million, compared to the prior year net cost of $33.2 million.

Net interest increased 8.9% to $70.9 million due to an increase in floating interest rates and changes to the domicile of debt.

The operating income tax expense rose to 30% of profit before tax, from 25% in the prior year, reflecting the shift in regional profit mix.

During March 2007 $285 million of hybrid securities in the form of PaperlinX Step-up Preference Securities (SPS) were issued to Australian investors. This issue reduced debt, strengthened the Group's balance sheet, provided increased financial flexibility. The distribution for this instrument for the 2007 financial year was $2.3033 per security which totalled $6.6 million.

The net profit after tax and distributions provided in respect of PaperlinX Step-up Preference Securities (SPS) translated into basic earnings per share of 16.4 cents.

DISCUSSION AND ANALYSIS (cont'd)

Balance Sheet

At 30 June 2007, total assets were $4,442 million. The group's gearing, measured as net debt to net debt plus equity, was 24.3% which is stronger than the Group's target range of 40% to 50%. Net debt at June 2007 was $612 million, compared to the prior year of $903 million.

Net trade working capital for the Group at 30 June 2007 was $1,212 million which was 5% lower than June 2006. The working capital to sales ratio continued to show improvement reducing to 15.5% versus 16.6% at June 2006 and the thirteen month rolling average fell from 18.9% to 17.9% after adjusting for foreign currency.

Significant progress was made in reducing the company's net liability for superannuation defined benefit plans. As at 30 June 2007 the net liability was $38.4 million, a reduction of $49.4 million from 30 June 2006.

Statement of Cash Flows

Cash generated by operations excluding movements in current and non-current assets and liabilities was $178 million, a slight improvement over prior year of $172 million. Net cash flow from operating activities was at $143 million, down $117 million over prior year primarily due to currency movements and shifts in other receivables and payables.

Capital expenditure in the period was $212.7 million ($112.4 million, excluding the pulp mill project, 111% of depreciation). No significant new expenditures have been committed to over the past six months. The cost of the pulp project is now expected to be within 25% of the original estimate of $203 million.

Note 1. Accounting policies

(1) **Basis of preparation of concise financial report**

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 *Concise Financial Reports* and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

The presentation currency is Australian dollars.

		CONSOLIDATED	
		2007	2006
Note 2.	**Revenue**		
	Sales of goods	7,814.1	7,342.1
	Commissions	3.2	2.7
	Total revenue	7,817.3	7,344.8

Note 3.

	CONSOLIDATED 2007 $M	2006 $M
(a) Dividends on PaperlinX Limited ordinary shares		
Interim dividend paid:		
• 5 cents per share paid on 5 April 2007, Nil% franked at a rate of 30% tax rate on fully paid shares (2)	22.4	-
• 5.5 cents per share paid on 5 April 2006, Nil% franked at a 30% tax rate on fully paid shares (1)	-	24.6
Final dividend paid:		
• 4.5 cents per share paid on 13 October 2006, Nil% franked at a 30% tax rate on fully paid shares (1)	20.1	-
• 12 cents per share paid on 28 September 2005, Nil% franked at a 30% tax rate on fully paid shares (1)	-	53.5
	42.5	78.1

(1) Paid out of profits measured in accordance with Australian Accounting Standards and other financial reporting requirements applicable for the year ended 30 June 2006.

(2) Paid out of profits measured in accordance with Australian equivalents to International Financial Reporting Standards and issued by the Australian Accounting Standards Board and the financial reporting requirements applicable for the year ended 30 June 2007.

PaperlinX Limited has declared a dividend, at the date of this report, on ordinary shares payable 26 September 2007 – 6.0 cents per share, unfranked on fully paid shares. This dividend has not been provided for in the accounts as at 30 June 2007.

It is expected that the interim dividend in respect of the year ending 30 June 2008 will be unfranked.

	2007 $M	2006 $M
(b) Distributions on PaperlinX step-up preference securities		
• Rate of 9.04% for the period 30 March 2007 to 30 June 2007, inclusive (1)	6.6	-
	6.6	-

(1) This distribution was provided for at 30 June 2007 and paid on 2 July 2007. The distribution rate for the period 30 June 2007 to 31 December 2007 is 8.97%.

Note 4. Issued capital

	CONSOLIDATED 2007 $M	CONSOLIDATED 2006 $M
Issued and paid-up share capital 448,737,560 ordinary shares (2006: 446,182,209 ordinary shares)	1,703.5	1,694.2
Employee share plan loans	(2.0)	(2.3)
Total issued capital	1,701.5	1,691.9

	2007 $M	2006 $M
Movement in ordinary share capital:		
Balance at beginning of year	1,694.2	1,694.2
180,000 (2006: Nil) shares issued at $3.13 each pursuant to options exercised	0.6	-
32,500 (2006: 10,000) shares issued at $3.32 each pursuant to options exercised	0.1	-
25,000 (2006: Nil) shares issued at $3.50 each pursuant to options exercised	0.1	-
1,585,971 (2006: Nil) shares issued at $3.50 each pursuant to the dividend reinvestment plan for final 2006 dividend	5.5	-
731,880 (2006: Nil) shares issued at $4.09 each pursuant to the dividend reinvestment plan for interim 2007 dividend	3.0	-
Balance at end of year	1,703.5	1,694.2

	2007 $M	2006 $M
Movement in employee share plan loans:		
Balance at beginning of year	(2.3)	(2.7)
Repayments	0.3	0.4
Balance at end of year	(2.0)	(2.3)

Note 5. Reserves

	CONSOLIDATED 2007 $M	2006 $M
Reserve for own shares		
Balance at beginning of year	(9.7)	(9.7)
Balance at end of year	(9.7)	(9.7)
Exchange fluctuation reserve		
Balance at beginning of year	(35.3)	(62.0)
Exchange fluctuation on translation of overseas subsidiaries	(42.9)	26.7
Balance at end of year	(78.2)	(35.3)
Total reserves	(87.9)	(45.0)

Nature and purpose of reserves

Reserve for own shares

The reserve for own shares represents the value of shares held by an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of the consolidated entity's own equity instruments.

Exchange fluctuation reserve

The translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign subsidiaries and the impact of transactions that hedge the company's net investment in a foreign operation, net of tax.

		CONSOLIDATED	
		2007	2006
Note 6.	**Retained profits**		
	Retained profits at beginning of year	(38.2)	(58.1)
	Adjustment to comply with AASB139 Financial Instruments: Recognition and Measurement	-	(0.3)
	Net profit attributable to equity holders of PaperlinX Limited	80.1	65.4
	Employee share options and rights	1.6	2.9
	Actuarial gains on defined benefit plans	20.6	30.0
	Dividends paid on PaperlinX Limited ordinary shares	(42.5)	(78.1)
	Distributions provided on PaperlinX step-up preference securities	(6.6)	-
	Retained profits at end of the year	15.0	(38.2)

		CONSOLIDATED	
		2007	2006
Note 7.	**PaperlinX step-up preference securities**		
	Balance at beginning of year	-	-
	Proceeds on issue	285.0	-
	Issue costs	(8.6)	-
	Balance at end of year	276.4	-

The PaperlinX SPS Trust was established during the year for the purpose of issuing a new security called PaperlinX Step-up Preference Securities (PSPS). The PSPS are perpetual, preferred units in the PaperlinX SPS Trust and on 30 March 2007, 2,850,000 PSPS were issued at an issue price of $100 per security raising $285 million. The PSPS are listed on the ASX under 'PXUPA'.

Distributions on the PSPS are at the discretion of the Trustee and are paid on a floating rate, unfranked, non-cumulative, discretionary and semi-annual basis. Distributions are therefore only paid after declaration by the Trustee. If a distribution is not paid in full, the distribution does not accumulate and may never be paid on the PSPS. If a distribution is not paid in full, PaperlinX Limited will be prohibited from paying dividends or making other distributions on any class of its share capital until such time as scheduled distributions are paid by the Trust. The first distribution date for the PSPS was 30 June 2007 and the amount provided at that date was paid on 2 July 2007 and is scheduled on a six monthly basis thereafter. The distribution rate is the 180 day bank bill swap rate plus a margin of 2.40%. The first periodic remarketing date is 30 June 2012 and provides the issuer with the following options:

- conduct a remarketing process to establish a new margin and add or adjust such other terms of the PaperlinX SPS as it may request, to apply until the next remarketing date;
- realise PaperlinX SPS (redeem for cash, exchange for PaperlinX Limited ordinary shares or resell to a third party); or
- begin paying distributions at the step-up margin on the PaperlinX SPS.

Note 8. Contingent liabilities

	CONSOLIDATED	
	2007	2006
	$M	$M
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	12.5	7.3
Total contingent liabilities	12.5	7.3

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

Capital expenditure is incurred annually to enhance environmental performance. There can be no assurance that material new expenditure will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

Under the terms of the ASIC Class Order 98/1418 dated 13 August 1998 (as amended) PaperlinX Limited and certain subsidiaries have entered into approved deeds for the cross guarantee of liabilities with those subsidiaries as identified in the consolidated entity's full financial report.

Note 9. Segment reporting

Business 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 and Paper Trading	International paper merchant and paper trader supplying the printing and publishing industry and office supplies.
Communication Papers	Manufacture of office papers, graphic papers, converting papers and other speciality and coated papers.
Packaging Papers	Manufacture of packaging papers and industrial papers. Products include kraft liners, sack, kraft and light weight bag and industrial papers, sold predominantly to converting customers.
Corporate	Corporate operations.

Note 9. Segment reporting (cont'd)

	CONSOLIDATED			
	SEGMENT RESULT (3)	SEGMENT REVENUE	SEGMENT ASSETS	SEGMENT LIABILITIES
	$M	$M	$M	$M
For the year ended 30 June 2007				
Business segments				
Merchanting and Paper Trading				
• Continuing Operations	204.0	7,134.2	3,112.0	1,158.2
• Discontinued Operations	1.2	25.2	-	-
	205.2	7,159.4	3,112.0	1,158.2
Communication Papers	(0.4)	761.2	800.6	152.9
Packaging Papers	10.6	255.1	348.1	76.3
Australian Paper	10.2	1,016.3	1,148.7	229.2
Corporate	(29.9)	-	128.8	35.3
Profit before net interest and tax	185.5			
Net interest (1)	(70.9)			
Profit before tax	114.6			
Tax expense (1)	(34.4)			
Profit for the period	80.2			
Inter-segment sales (2)		(336.4)		
Unallocated assets (deferred tax balances)			52.9	
Unallocated liabilities (6)				1,114.6
Total	80.2	7,839.3	4,442.4	2,537.3

Note 9. Segment reporting (cont'd)

	CONSOLIDATED			
	SEGMENT RESULT (3)	SEGMENT REVENUE	SEGMENT ASSETS	SEGMENT LIABILITIES
	$M	$M	$M	$M
For the year ended 30 June 2006				
Business segments				
Merchanting and Paper Trading				
• Continuing Operations	187.6	6,661.8	3,208.3	1,166.0
• Discontinued Operations	1.3	29.5	19.6	0.9
	188.9	6,691.3	3,227.9	1,166.9
Communication Papers	(8.6)	779.2	734.1	129.1
Packaging Papers	5.3	241.8	298.4	41.6
Australian Paper	(3.3)	1,021.0	1,032.5	170.7
Corporate	(33.2)	-	55.6	32.7
Profit before net interest and tax	152.4			
Net interest (1)	(65.1)			
Profit before tax	87.3			
Tax expense (1)	(21.9)			
Profit for the period	65.4			
Inter-segment sales (2)		(340.7)		
Unallocated assets (deferred tax balances)			74.4	
Unallocated liabilities (6)				1,411.4
Total	65.4	7,371.6	4,390.4	2,781.7

Note 10. Events subsequent to balance date

Dividends on PaperlinX Limited ordinary shares

For dividends declared after 30 June 2007, see Note 3.

Distributions on PaperlinX step-up preference securities

For the distribution rate for the period 30 June 2007 to 31 December 2007, see Note 3.

DIRECTORS' DECLARATION

In the opinion of the directors of PaperlinX Limited the accompanying concise financial report including the remuneration disclosures that are contained in sections 1 to 3 and sections 5 to 7 of the Remuneration Report in the Directors' Report of the consolidated entity, comprising PaperlinX Limited and the entities it controlled for the financial year ended 30 June 2007 set out on pages 1 to 17:

a) has been derived from or is consistent with the full financial report for the financial year; and

b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the directors:

David E Meiklejohn
Chairman

Thomas P Park
Managing Director and Chief Executive Officer

Dated at Melbourne, in the State of Victoria, this 23rd day of August 2007.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAPERLINX LIMITED

The accompanying concise financial report of PaperlinX Limited (the "Company") and its controlled entities (the "Consolidated Entity") which comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expenses and cash flow statement for the year ended on that date, other explanatory notes 1 to 10 and the discussion and analysis on the balance sheet, income statement, statement of recognised income and expenses and cash flow statement is derived from the audited financial report of PaperlinX Limited for the year ended 30 June 2007. We expressed an unmodified audit opinion on those financial statements and the remuneration disclosures contained in the Directors' report in our report dated 23 August 2007.

The concise financial report does not contain all the disclosures required by Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. Reading the concise financial report is not a substitute for reading the audited financial report of PaperlinX Limited.

Directors' responsibility for the concise financial report
The directors of the Company are responsible for preparing and presenting the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Auditor's responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards. These Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the concise financial report is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the over presentation of the concise financial report.

Our procedures in respect of the audit of the concise financial report include testing that the information in the concise financial report and is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is fairly presented in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

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

Auditor's opinion

In our opinion the concise financial report of the Consolidated Entity, comprising PaperlinX Limited and its controlled entities for the financial year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

Peter Jovic
Partner

Melbourne
23 August 2007