APPENDIX 4D

(Rules 4.2A.3)

Name of entity:	**PAPERLINX LIMITED**
ABN:	**70 005 146 350**
For the half-year ended:	**31 December 2010**
Previous corresponding period:	31 December 2009

Results for announcement to the market

	2010 A$m	**2009 A$m**		**% Change**
External revenues from ordinary activities:				
• continuing operations	2,430.7	2,643.0	down	8%
• discontinued operations	11.6	95.1	down	88%
	2,442.3	2,738.1	down	11%
Net loss for the period after tax:				
• continuing operations	(8.3)	(9.2)	up	10%
• discontinued operations	(1.9)	(166.1)	up	99%
	(10.2)	(175.3)	up	94%
attributable to:				
Equity holders of PaperlinX Limited	(10.2)	(175.3)	up	94%
Non-controlling interest	-	-	-	unchanged
Equity holders of PaperlinX Limited	(10.2)	(175.3)	up	94%

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 attached press release for explanation of results

Net tangible assets per security

	31 December 2010	**31 December 2009**
Net tangible assets per security	$0.34	$0.60

Details of entities over which control has been gained or lost

Nil

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.

James Orr
Company Secretary
Date: 24 February 2011

INTERIM FINANCIAL REPORT

of PaperlinX Limited

31 December 2010

Contents

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 2010 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 D E (David) Meiklejohn AM	Director and Chairman since December 1999.
Mr H (Harry) Boon	Director since May 2008.
Ms M L (Lyndsey) Cattermole AM	Director since December 2010.
Mr J W (James) Hall	Director since May 2007.
Mr L J (Lindsay) Yelland	Director since February 2000.
Mr B J (Barry) Jackson	Director from February 2000. Retired 31 October 2010.
Executive	
Mr T R (Toby) Marchant	Managing Director and Chief Executive Officer since 1 November 2010. Director since 1 November 2010.
Mr T P (Thomas) Park	Managing Director and Chief Executive Officer from February 2004. Director from February 2004. Ceased employment and resigned as a Director on 31 October 2010.
Mr M R (Mark) Hooper	Chief Financial Officer from October 2008. Resigned 26 August 2010. Director from 1 January 2010 to 26 August 2010.

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 24 February 2011.

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 2010.

Rounding off

The Company is the 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 24th day of February 2011.

David E Meiklejohn AM
Chairman

Toby R Marchant
Managing Director and Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

To: the 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 2010 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

24 February 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December	Note	2010 $m	2009 $m
Continuing operations			
Revenue from sale of goods		2,430.7	2,643.1
Cost of inventory sold		(1,948.8)	(2,131.3)
Gross profit		481.9	511.8
Other income	8	1.6	7.2
Personnel costs		(249.1)	(270.3)
Logistics and distribution		(122.1)	(134.9)
Sales and marketing		(6.0)	(5.4)
Other expenses		(86.0)	(87.2)
Result from operating activities		20.3	21.2
Net movement in fair value of currency option and loan	6	(23.4)	3.7
Net finance costs	9	(9.0)	(29.5)
Loss before tax		(12.1)	(4.6)
Tax benefit/(expense)		3.8	(4.6)
Loss from continuing operations		(8.3)	(9.2)
Discontinued operations			
Loss from discontinued operations, net of tax	10	(1.9)	(166.1)
Loss for the period		(10.2)	(175.3)
Loss for the period attributable to:			
Equity holders of PaperlinX Limited		(10.2)	(175.3)
Basic earnings per share (cents)	7	(3.4)	(29.0)
Basic earnings per share from continuing operations (cents)	7	(3.1)	(1.5)
Diluted earnings per share (cents)	7	(3.4)	(29.0)
Diluted earnings per share from continuing operations (cents)	7	(3.1)	(1.5)

Condensed notes 1 to 16 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	2010 $m	2009 $m
Loss for the period	(10.2)	(175.3)
Other comprehensive income:		
Exchange differences on translation of overseas subsidiaries	(69.0)	(59.0)
Actuarial adjustments on defined benefit plans	13.8	(1.2)
Effective portion of changes in fair value of cash flow hedges	33.6	(3.3)
Net change in fair value of cash flow hedges transferred to Income Statement	(33.7)	-
Income tax (expense)/benefit on other comprehensive income	(4.4)	0.3
Other comprehensive loss for the period, net of tax	(59.7)	(63.2)
Total comprehensive loss for the period, net of tax	(69.9)	(238.5)
Total comprehensive loss for the period attributable to:		
Equity holders of PaperlinX Limited	(69.9)	(238.5)

Condensed notes 1 to 16 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 2010 $m	As at 30 June 2010 $m
Current assets			
Cash and cash equivalents		130.0	137.0
Trade and other receivables		987.3	1,115.1
Income tax receivable		4.7	4.3
Inventories		478.8	515.9
Assets held for sale		3.3	1.6
Total current assets		1,604.1	1,773.9
Non-current assets			
Receivables		38.7	23.2
Investments		1.8	2.0
Property, plant and equipment		72.8	86.6
Intangible assets		318.2	355.7
Deferred tax assets		57.5	63.6
Total non-current assets		489.0	531.1
Total assets		2,093.1	2,305.0
Current liabilities			
Bank overdrafts		52.0	29.4
Trade and other payables		758.9	847.0
Loans and borrowings	12	61.4	52.7
Income tax payable		4.5	5.6
Employee benefits		17.4	24.2
Provisions		18.4	41.1
Total current liabilities		912.6	1,000.0
Non-current liabilities			
Payables		1.0	2.0
Loans and borrowings	12	216.4	218.8
Deferred tax liabilities		15.2	15.3
Employee benefits		89.0	124.4
Provisions		15.8	20.6
Total non-current liabilities		337.4	381.1
Total liabilities		1,250.0	1,381.1
Net assets		843.1	923.9
Equity			
Issued capital	13	1,892.7	1,894.9
Reserves		(166.7)	(99.5)
Accumulated losses		(1,159.4)	(1,148.0)
Total equity attributable to holders of ordinary shares of PaperlinX Limited		566.6	647.4
PaperlinX step-up preference securities		276.5	276.5
Total equity		843.1	923.9

Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of PaperlinX Limited							
$m **For the half-year ended 31 December 2010**	**Note**	**Issued capital**	**Exchange fluctuation reserve**	**Hedging reserve**	**Reserve for own shares**	**Employee share plans reserve**	**Accumul-ated losses**	**PaperlinX step-up preference securities**	**Total equity**
Balance at 1 July 2010		1,894.9	(99.6)	0.3	(6.7)	6.5	(1,148.0)	276.5	**923.9**
Total comprehensive loss for the period									
Loss for the period		-	-	-	-	-	(10.2)	-	**(10.2)**
Other comprehensive income									
• Exchange differences on translation of overseas subsidiaries		-	(69.0)	-	-	-	-	-	**(69.0)**
• Effective portion of changes in fair value of cash flow hedges		-	-	33.6	-	-	-	-	**33.6**
• Net change in fair value of cash flow hedges transferred to income statement		-	-	(33.7)	-	-	-	-	**(33.7)**
• Actuarial adjustments on defined benefit plans *(1)*		-	-	-	-	-	13.8	-	**13.8**
• Income tax expense on other comprehensive income		-	-	-	-	-	(4.4)	-	**(4.4)**
Total other comprehensive (loss)/income		-	(69.0)	(0.1)	-	-	9.4	-	**(59.7)**
Total comprehensive loss for the period		-	(69.0)	(0.1)	-	-	(0.8)	-	**(69.9)**
Transactions with owners recorded directly in equity									
• Employee share-based payment transactions		-	-	-	-	(1.5)	-	-	**(1.5)**
• Issue of shares to employees		(2.3)	-	-	3.4	-	-	-	**1.1**
• Employee loans forgiven - forfeited entitlements	13	0.1	-	-	-	-	-	-	**0.1**
• Distributions paid on PaperlinX step-up preference securities	11	-	-	-	-	-	(10.6)	-	**(10.6)**
Total transactions with owners		(2.2)	-	-	3.4	(1.5)	(10.6)	-	**(10.9)**
Balance at 31 December 2010		1,892.7	(168.6)	0.2	(3.3)	5.0	(1,159.4)	276.5	**843.1**

(1) Estimated actuarial gain for defined benefit pension plans using updated discount rates and inflation rate assumptions and approximating the asset values using asset market returns over the reporting period.

Condensed notes 1 to 16 form part of these financial statements and are to be read in conjunction therewith.

$m For the half-year ended 31 December 2009	Note	Issued capital	Exchange fluctuation reserve	Hedging reserve	Reserve for own shares	Employee share plans reserve	Accumul-ated losses	PaperlinX step-up preference securities	Total equity
		Attributable to equity holders of PaperlinX Limited							
Balance at 1 July 2009		1,896.1	(5.3)	-	(9.7)	-	(886.6)	276.5	**1,271.0**
Total comprehensive loss for the period									
Loss for the period		-	-	-	-	-	(175.3)	-	**(175.3)**
Other comprehensive income									
• Exchange differences on translation of overseas subsidiaries		-	(59.0)	-	-	-	-	-	**(59.0)**
• Effective portion of changes in fair value of cash flow hedges		-	-	(3.3)	-	-	-	-	**(3.3)**
• Actuarial adjustments on defined benefit plans		-	-	-	-	-	(1.2)	-	**(1.2)**
• Income tax benefit on other comprehensive income		-	-	-	-	-	0.3	-	**0.3**
Total other comprehensive loss		-	(59.0)	(3.3)	-	-	(0.9)	-	**(63.2)**
Total comprehensive loss for the period		-	(59.0)	(3.3)	-	-	(176.2)	-	**(238.5)**
Transactions with owners recorded directly in equity									
• Net change in fair value of employee share options and rights		(0.5)	-	-	-	-	-	-	**(0.5)**
• Issue of shares to employees		-	-	-	1.7	-	0.8	-	**2.5**
• Repayment of employee share plan loans		0.1	-	-	-	-	-	-	**0.1**
Total transactions with owners		(0.4)	-	-	1.7	-	0.8	-	**2.1**
Balance at 31 December 2009		1,895.7	(64.3)	(3.3)	(8.0)	-	(1,062.0)	276.5	**1,034.6**

Condensed notes 1 to 16 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	2010 $m	2009 $m
Cash flows from operating activities			
Receipts from customers		2,449.4	2,704.9
Payments to suppliers and employees		(2,444.8)	(2,780.5)
Interest received		1.1	1.2
Interest paid		(10.0)	(17.8)
Income taxes paid		(3.5)	(2.2)
Net cash used in operating activities	14	(7.8)	(94.4)
Cash flows from investing activities			
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		(0.3)	(0.4)
• Property, plant and equipment and intangibles		(6.4)	(13.0)
Net (payments)/proceeds from the sale of:			
• Controlled entities and businesses (proceeds less transaction costs)		(3.1)	11.7
• Property, plant and equipment		0.9	1.2
• Investments		3.5	9.5
Tasmanian manufacturing operations closure provision payments		(24.7)	(1.0)
Loans repaid by/(to) associated companies and other persons		0.7	(0.4)
Net cash (used in)/from investing activities		(29.4)	7.6
Cash flows from financing activities			
Repayment of employee share plan loans		-	0.1
Step-up preference securities distributions paid		(10.8)	-
Proceeds from borrowings	12	35.5	76.5
Repayment of borrowings	12	(6.8)	(155.9)
Principal finance lease repayments		-	(0.1)
Currency option		-	(19.2)
Cash flow hedges		(2.4)	-
Cross currency swap close out		-	79.2
Capitalised borrowing costs paid		(0.1)	(1.3)
Other borrowing costs paid		(0.5)	(14.9)
Net cash from/(used in) financing activities		14.9	(35.6)
Net decrease in cash and cash equivalents		(22.3)	(122.4)
Cash and cash equivalents at the beginning of the period		107.6	381.5
Effect of exchange rate changes on cash held		(7.3)	(33.6)
Cash and cash equivalents at the end of the period	14	78.0	225.5

Condensed notes 1 to 16 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 2010 comprises the Company and its subsidiaries (together referred to as "the Consolidated Entity").

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at 307 Ferntree Gully Road, Mt Waverley Victoria 3149 or at www.paperlinx.com.au.

This condensed consolidated interim financial report was approved by the Board of Directors on 24th February 2011.

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.

Note 2. Statement of compliance

The condensed consolidated interim financial report has been prepared in accordance with AASB 134 *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 2010.

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.

During the prior financial year, the Consolidated Entity replaced the debt obligations associated with the US Private Placement Notes and the Multi-Currency Syndicated Debt facilities with various regionally based Receivables and Inventory backed facilities. These regional facilities are predominantly classified as non-current as the Consolidated Entity expects and has the discretion to roll over these facilities for a period greater than 12 months.

Regardless of the non-current debt classifications, the ability of the Consolidated Entity to meet its operational cash obligations and debt covenants is dependent in part on meeting its forecast trading results and cash flows. The trading and cash flow forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside the control of the Consolidated Entity. In this regard, the current economic environment presents challenges in terms of sales volume and pricing as well as input costs. Whilst the Directors have instituted measures to preserve cash and secure additional finance, this environment creates uncertainties over the future trading results and cash flows.

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 committed but undrawn debt facilities, sale of non-core assets, working capital reductions and further restriction of operating expenditures.

The Directors have also considered the ability of the Consolidated Entity to obtain alternative sources of debt finance. In addition, the Directors have considered the implications of the new debt facilities including regional specific covenants and restrictions on the ability to draw down debt facilities and move cash within the Consolidated Entity.

After making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Consolidated Entity and the Company have adequate resources to continue to operate and meet their obligations as 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

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 2010.

Changes in accounting policy and disclosures

None of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board are considered relevant to the Consolidated Entity's results and disclosures for the six months ended 31 December 2010.

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 2010.

During the current period, management have revisited the assumptions and estimates associated with the closure of the Tasmanian manufacturing operations. This has resulted in a reduction in the amounts provided for stock provisions, severance costs and onerous contracts, which have been bought to account as income from discontinued operations in the income statement. If the final amounts relating to the site closures differ from the current estimate, variations will be brought to account in future periods. If required, these adjustments will be disclosed in the income statement as discontinued operations.

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. North America comprises the United States of America and Canada. Europe comprises Continental Europe, the United Kingdom, Ireland and South Africa.
Discontinued Paper Manufacturing	Manufacture of communication papers, including office papers, graphic papers, converting papers and other speciality and coated papers. Manufacture of packaging papers and industrial papers. Paper Manufacturing is treated as a discontinued operation as a result of the disposal of the Australian Paper business (completed in May 2009) and the closure of the Tasmanian manufacturing operations (completed in June 2010) - refer Note 10.

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

Note 5. Operating segments – (continued)

	Note	Merchanting Europe $m	Merchanting North America $m	Merchanting Australia, New Zealand, Asia $m	Unallocated $m	Total Continuing Operations $m	Discontinued Paper Manu-facturing $m	Group Eliminations $m	Group $m
For the half-year ended 31 December 2010									
External sales revenue		1,654.0	500.5	276.2	-	2,430.7	11.6	-	2,442.3
Inter-segment sales revenue		-	-	3.7	(3.7)	(0.0)	4.2	(4.2)	-
Total revenue		1,654.0	500.5	279.9	(3.7)	2,430.7	15.8	(4.2)	2,442.3
Profit/(loss) before net finance costs, tax and significant items		12.8	8.1	9.4	(10.0)	20.3	(0.2)	-	20.1
Significant items (pre-tax)	6	-	-	-	(23.4)	(23.4)	(0.4)	-	(23.8)
Net other finance costs	9,10	-	-	-	(0.9)	(0.9)	-	-	(0.9)
Profit/(loss) before interest and tax		12.8	8.1	9.4	(34.3)	(4.0)	(0.6)	-	(4.6)
Net interest	9,10				(8.1)	(8.1)	(1.3)	-	(9.4)
Loss before tax					(42.4)	(12.1)	(1.9)	-	(14.0)
Tax expense - pre-significant items					(2.8)	(2.8)	-	-	(2.8)
Tax benefit - significant items					6.6	6.6	-	-	6.6
Loss for the period					(38.6)	(8.3)	(1.9)	-	(10.2)
The loss before tax includes:									
Depreciation and amortisation		(7.9)	(2.5)	(1.1)	(0.3)	(11.8)	-	-	(11.8)
Impairment of non-current assets		-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment		(7.9)	(2.5)	(1.1)	(0.3)	(11.8)	-	-	(11.8)
Capital expenditure		4.4	1.1	0.7	-	6.2	-	-	6.2
As at 31 December 2010									
Total assets		1,378.7	314.3	315.8	65.3	2,074.1	19.0	-	2,093.1
Total liabilities		677.4	130.8	92.8	311.3	1,212.3	37.7	-	1,250.0
Net assets/(liabilities)		701.3	183.5	223.0	(246.0)	861.8	(18.7)	-	843.1

Note 5. Operating segments – (continued)

	Note	Merchanting Europe $m	Merchanting North America $m	Merchanting Australia, New Zealand, Asia $m	Unallocated $m	Total Continuing Operations $m	Discontinued Paper Manu-facturing $m	Group Eliminations $m	Group $m
For the half-year ended 31 December 2009									
External sales revenue		1,818.2	521.6	303.2	-	2,643.0	95.1	-	2,738.1
Inter-segment sales revenue		-	-	2.7	(2.6)	0.1	39.7	(39.8)	-
Total revenue		1,818.2	521.6	305.9	(2.6)	2,643.1	134.8	(39.8)	2,738.1
Profit/(loss) before net finance costs, tax and significant items		8.5	9.4	10.8	(7.5)	21.2	(17.4)	-	3.8
Significant items (pre-tax)	6	-	-	-	3.7	3.7	(117.8)	-	(114.1)
Net other finance costs	9,10	-	-	-	(13.2)	(13.2)	0.1	-	(13.1)
Profit/(loss) before interest and tax		8.5	9.4	10.8	(17.0)	11.7	(135.1)	-	(123.4)
Net interest	9,10				(16.3)	(16.3)	-	-	(16.3)
Loss before tax					(33.3)	(4.6)	(135.1)	-	(139.7)
Tax expense - pre-significant items					(2.9)	(2.9)	-	-	(2.9)
Tax expense - significant items					(1.7)	(1.7)	(31.0)	-	(32.7)
Loss for the period					(37.9)	(9.2)	(166.1)	-	(175.3)
The loss before tax includes:									
Depreciation and amortisation		(9.1)	(2.8)	(1.1)	(0.2)	(13.2)	(0.6)	-	(13.8)
Impairment of non-current assets		-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment		(9.1)	(2.8)	(1.1)	(0.2)	(13.2)	(0.6)	-	(13.8)
Capital expenditure		5.2	1.0	0.2	1.8	8.2	0.6	-	8.8
As at 30 June 2010									
Total assets		1,499.4	354.4	326.4	90.7	2,270.9	34.1	-	2,305.0
Total liabilities		733.2	149.8	97.2	330.4	1,310.6	70.5	-	1,381.1
Net assets/(liabilities)		766.2	204.6	229.2	(239.7)	960.3	(36.4)	-	923.9

Note 6. Individually significant items

For the half-year ended 31 December	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
2010									
Net movement in fair value of currency option and loan *(1)*	(23.4)	6.6	(16.8)	-	-	-	(23.4)	6.6	(16.8)
Adjustment to loss on sale of Australian Paper	-	-	-	(4.9)	-	(4.9)	(4.9)	-	(4.9)
Net benefits related to closure of discontinued Tasmanian operations	-	-	-	4.5	-	4.5	4.5	-	4.5
Total individually significant items	(23.4)	6.6	(16.8)	(0.4)	-	(0.4)	(23.8)	6.6	(17.2)
2009									
Net movement in fair value of currency option and loan *(1)*	3.7	(1.7)	2.0	-	-	-	3.7	(1.7)	2.0
Loss on sale of Australian Paper	-	-	-	(7.8)	-	(7.8)	(7.8)	-	(7.8)
Transaction costs related to sale of Australian Paper	-	-	-	(7.0)	-	(7.0)	(7.0)	-	(7.0)
Costs related to closure of discontinued Tasmanian operations	-	-	-	(103.0)	(31.0)	(134.0)	(103.0)	(31.0)	(134.0)
Total individually significant items	3.7	(1.7)	2.0	(117.8)	(31.0)	(148.8)	(114.1)	(32.7)	(146.8)

(1) During the prior period the Consolidated Entity entered into a currency option to hedge a foreign currency exposure on an intercompany loan. AASB 139 Financial Instruments: Recognition and Measurement *(AASB 139) permits reporting entities to separate the intrinsic value and time value of an option. AASB 139 allows for the intrinsic value of an option to be designated as part of a hedging relationship. However, the time value component does not qualify for hedge accounting and changes in fair values are recognised immediately in the income statement for the financial period as they do not form part of a hedging relationship. This methodology can cause volatility in the amount of the time value expense, even though the cash cost of the option was fixed at the time of purchase. The increase in the expense over the prior period is due to the significant appreciation of the AUD against the GBP.*

Note 7. Earnings per share

For the half-year ended 31 December	Note	Continuing 2010 $m	Continuing 2009 $m	Discontinued 2010 $m	Discontinued 2009 $m	Total 2010 $m	Total 2009 $m
Loss for the period		(8.3)	(9.2)	(1.9)	(166.1)	(10.2)	(175.3)
Less PaperlinX step-up preference securities distributions	11	(10.6)	-	-	-	(10.6)	-
Loss for the period attributable to holders of ordinary shares in PaperlinX Limited		(18.9)	(9.2)	(1.9)	(166.1)	(20.8)	(175.3)
Add individually significant items	6	16.8	(2.0)	0.4	148.8	17.2	146.8
Loss for the period pre significant items attributable to ordinary shares of PaperlinX Limited		(2.1)	(11.2)	(1.5)	(17.3)	(3.6)	(28.5)
Weighted average number of shares - basic (millions)		603.6	603.6	603.6	603.6	603.6	603.6
Basic EPS (cents)		(3.1)	(1.5)	(0.3)	(27.5)	(3.4)	(29.0)
Basic EPS pre individually significant items (cents)		(0.3)	(1.9)	(0.3)	(2.8)	(0.6)	(4.7)
Weighted average number of shares - diluted (millions)		603.6	603.6	603.6	603.6	603.6	603.6
Diluted EPS (cents)		(3.1)	(1.5)	(0.3)	(27.5)	(3.4)	(29.0)
Diluted EPS pre individually significant items (cents)		(0.3)	(1.9)	(0.3)	(2.8)	(0.6)	(4.7)

The earnings per share have been calculated in accordance with Australian Accounting Standard AASB 133: *Earnings per Share* (AASB 133). This standard defines the basic earnings per share to be the operating profit after income tax for the Consolidated Entity attributable to ordinary shareholders of the parent entity for the financial period, divided by the weighted average number of ordinary shares of the parent entity on issue during the financial period.

The diluted earnings per share are calculated in accordance with the requirements of AASB 133, whereby options are considered to be potential shares. The options to purchase shares on issue during the half-year ended 31 December 2010 (weighted average 19.039 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 2009 (weighted average 15.024 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	2010 $m	2009 $m
Net profit on disposal of non-current assets	0.4	-
Net profit on disposal of investments	-	4.6
Other	1.2	2.6
Total other income	1.6	7.2

Note 9. Net finance costs from continuing operations

For the half-year ended 31 December	2010 $m	2009 $m
Net interest		
Interest expense	(9.2)	(17.5)
Interest income	1.1	1.2
Total net interest	(8.1)	(16.3)
Other finance costs		
Net foreign exchange gains	0.5	-
Other borrowing costs *(1)*	(1.4)	(13.2)
Total other finance costs	(0.9)	(13.2)
Total net finance costs	(9.0)	(29.5)

(1) Comparative period includes lender advisor and waiver fees of $9.3m arising from covenant breaches under loan facilities which have since been repaid.

Note 10. Discontinued operations

Discontinued operations for the current and comparative reporting periods comprise:

- The Tasmanian paper manufacturing operations. The closure of the Wesley Vale mill and part of the Burnie operations was announced on 7 December 2009. On 13 April 2010 the Company announced the closure of the Burnie operations, completing the Consolidated Entity's exit from paper manufacturing.
- Costs arising from the sale of the Australian Paper paper manufacturing business. The sale was completed on 31 May 2009.

The sale of Australian Paper and closure of the Tasmanian paper manufacturing operations were undertaken in order to concentrate the Consolidated Entity on its core merchanting and distribution operations.

For the half-year ended 31 December	Note	2010 $m	2009 $m
Result from discontinued operations			
Revenue		15.8	134.8
Other income		0.3	1.9
Trading expenses		(16.3)	(154.1)
Result from operating activities pre-significant items		(0.2)	(17.4)
Individually significant items	6	(0.4)	(117.8)
Result from operating activities		(0.6)	(135.2)
Net interest		(1.3)	-
Other finance costs		-	0.1
Loss before tax		(1.9)	(135.1)
Tax benefit pre-significant items		-	-
Tax expense significant items		-	(31.0)
Loss for the period		(1.9)	(166.1)

Cash flows from discontinued operations		
Net cash from/(used in) operating activities	10.9	(19.3)
Net cash used in investing activities	(28.4)	(4.9)
Net cash from financing activities	-	-
Net cash from discontinued operations	(17.5)	(24.2)

Note 11. Dividends and distributions

(a) Dividends on PaperlinX Limited ordinary shares

The Directors of the Company have determined that no interim dividend will be paid in respect of the period ended 31 December 2010. No final or interim dividend was declared or paid during the comparative reporting period.

(b) Distributions on PaperlinX step-up preference securities

For the half-year ended 31 December	2010 $m	2009 $m
Distribution paid:		
• Rate of 7.365% for the period 1 July 2010 to 31 December 2010	10.6	-
Total distributions on PaperlinX step-up preference securities	10.6	-

On 24 November 2010, the Directors of the Company announced that the missed December 2009 distribution had lapsed. The distribution rate for the period 1 July 2009 to 31 December 2009 would have been 5.685%. The June 2010 distribution was paid as scheduled on 30 June 2010.

The distribution rate for the period 1 January to 30 June 2011 is 7.5317%. The distribution is payable at the discretion of the Directors of the Company.

Note 12. Loans and borrowings

For the half-year ended 31 December	2010 $m	2009 $m
Balance at beginning of period	271.5	598.2
Borrowings		
New facilities		
• Trade receivable and inventory funding - New Zealand	-	8.2
Expiring facilities		
• Unsecured loan - Austria	(6.8)	-
• Unsecured loan - New Zealand	-	(19.3)
• Syndicated facility agreement	-	(54.2)
• US private placement notes	-	(34.6)
Other net drawdowns	35.5	20.5
Net proceeds from/(repayment of) borrowings	28.7	(79.4)
Finance Leases		
• Principal finance lease repayments	-	(0.1)
Movement in capitalised borrowing costs	1.0	(1.1)
Foreign exchange	(23.4)	(40.6)
Balance at end of period	277.8	477.0
Balance at the end of the period comprises:		
Current liabilities		
• Bank loans - secured	58.7	140.3
• Bank loans - unsecured	3.3	3.2
• Notes - secured	-	98.0
• Other loans - secured	-	51.1
• Capitalised borrowing costs	(0.6)	(0.4)
	61.4	292.2
Non-current liabilities		
• Bank loans - secured	220.2	111.3
• Bank loans - unsecured	-	11.1
• Notes - secured	-	63.6
• Other loans - secured	0.2	0.3
• Other loans - unsecured	-	-
• Capitalised borrowing costs	(4.0)	(1.5)
	216.4	184.8
Total loans and borrowings	277.8	477.0

Loans and borrowings predominantly comprise regional asset backed facilities in Australia, New Zealand, USA, Canada and Europe. These facilities include regional covenant measures such as fixed charge coverage ratios, interest cover, net worth tests and gearing levels and have availability periods extending beyond the next 12 months. These facilities have restrictions on the ability to draw down and move cash within the Consolidated Entity.

Note 12. Loans and borrowings – (continued)

The facilities in Australia, New Zealand and Europe involve the sale of receivables. The Consolidated Entity has classified the majority of the 31 December 2010 loan balances for these facilities as non-current as it expects, and has the discretion, to rollover the obligations of these 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 upon Board approved forecasts.

Note 13. Issued capital

	As at 31 December 2010 $m	As at 30 June 2010 $m
Issued capital		
Issued and paid-up share capital - 603,580,761 ordinary shares (June 2010: 603,580,761)	1,893.4	1,895.7
Employee share plan loans	(0.7)	(0.8)
Total issued capital	1,892.7	1,894.9
Movement in employee share plan loans:		
Balance at beginning of reporting period	(0.8)	(1.5)
Proceeds on sale of shares	-	0.2
Loans forgiven - forfeited entitlements	0.1	0.5
Balance at end of reporting period	(0.7)	(0.8)

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 4,985,745 (2009: 7,909,061) 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	**2010 number**	**2009 number**
Outstanding at the beginning of the period	7,609,061	5,489,960
Lapsed during the period *(1)*	(4,284,356)	(1,625,830)
Granted during the period *(2)*	1,661,040	4,044,931
Exercised	-	-
Outstanding at the end of the period	4,985,745	7,909,061

(1) Current period includes 2,948,441 options for former Executive Directors T P Park and M R Hooper which lapsed on termination of employment or because performance conditions were not met.

(2) Granted in accordance with short and long term incentive programs that are subject to specific performance hurdles.

Note 13. Issued capital – (continued)

Rights

At the reporting date, there are 13,391,555 (2009: 16,631,388) rights to potentially acquire fully paid ordinary shares in the Company when performance conditions are met. The details of the rights on issue at balance date are as follows:

For the half-year ended 31 December	**2010 number**	**2009 number**
Outstanding at the beginning of the period	15,685,523	10,776,205
Lapsed during the period *(1)*	(8,113,770)	(4,729,184)
Granted during the period *(2)*	6,506,380	10,873,995
Exercised	(686,578)	(289,628)
Outstanding at the end of the period	13,391,555	16,631,388

(1) Current period includes 4,885,155 rights for former Executive Directors T P Park and M R Hooper which lapsed on termination of employment or because performance conditions were not met.

(2) Granted in accordance with short and long term incentive programs that are subject to specific performance hurdles.

Note 14. Reconciliation of cash flows from operating activities

For the half-year ended 31 December	**Note**	**2010 $m**	**2009 $m**
Reconciliation of loss after tax to net cash from operating activities			
Loss for the period		(10.2)	(175.3)
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles		11.8	13.8
• (Profit)/loss on disposal of controlled entities		(0.7)	14.7
• Loss/(profit) on disposal of investments		-	(4.6)
• Revaluations of assets held for sale		(1.7)	-
• Employee share options and rights expense		(0.4)	0.8
• Movement in fair value of currency option and loan	6	23.4	(3.7)
• Cross-currency swap gain		-	(3.3)
• Amortisation of capitalised borrowing costs		1.2	0.2
Add back other items classified as investing/financing:			
• Provision for costs related to closure of discontinued Tasmanian operations	6	(4.5)	103.0
• Adjustment to loss on sale of Australian Paper	6	4.9	-
• Borrowing costs expensed		0.2	13.2
Decrease/(increase) in trade and other receivables		15.9	(74.4)
(Increase)/decrease in inventories		(8.8)	36.4
Decrease in trade and other payables		(17.8)	(27.2)
Decrease in provisions		(13.8)	(19.5)
(Increase)/decrease in current and deferred taxes		(7.3)	33.4
Decrease in other non-current liabilities		-	(1.9)
Net cash used in operating activities		(7.8)	(94.4)
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		130.0	274.3
Bank overdrafts		(52.0)	(48.8)
		78.0	225.5

Note 15. Contingent liabilities

	As at 31 December 2010 $m	As at 30 June 2010 $m
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	5.6	14.1
• Loan guarantees (external)	34.3	34.3
• Other guarantees and warranties	2.0	12.0
• Other	0.3	-
Total contingent liabilities	42.2	60.4

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

The loan guarantees (external), the beneficiaries of which are third parties, are in relation to guarantees provided by the Company in relation to the financing of the Maryvale Woodyard.

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.

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.

Note 16. Events subsequent to balance date

Dividends on the Company's ordinary shares

No interim dividend has been declared for the period ended 31 December 2010.

Closure of European head office

On 2 February 2011, the Company announced a further streamlining of its management and head office structure with the closure of its European head office in Amsterdam. There is no financial impact arising from this announcement in the interim financial report.

DIRECTORS' DECLARATION

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

1 The 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 2010 and of its performance, as represented by the results of its operations and cash flows 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 24th day of February 2011.

Signed in accordance with a resolution of the Directors:

David E Meiklejohn AM	Toby R Marchant
Chairman	**Managing Director and Chief Executive Officer**

INDEPENDENT AUDITOR'S REVIEW REPORT

We have reviewed the accompanying interim financial report of PaperlinX Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, 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 16 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 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 2010 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 2010 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
24 February 2011