APPENDIX 4E - PRELIMINARY FINANCIAL REPORT

(Rules 4.3A)

Name of entity:	**PAPERLINX LIMITED**
ABN:	**70 005 146 350**
For the year ended:	**30 June 2014**
Previous corresponding period:	30 June 2013

Results for announcement to the market

	2014 A$m	**2013** A$m		**% Change**
External revenues from ordinary activities:				
• continuing operations	2,833.2	2,777.9	up	2%
• discontinued operations	-	27.8	down	100%
	2,833.2	2,805.7	up	1%

	2014 A$m	**2013 Restated** *(1)* A$m		**% Change**
Net (loss)/profit for the period after tax:				
• continuing operations	(62.9)	(94.2)	down	33%
• discontinued operations	(0.7)	1.4	down	150%
	(63.6)	(92.8)	down	31%
attributable to:				
Equity holders of PaperlinX Limited	(63.6)	(92.8)	down	31%

(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**
Final dividend - current period	Nil		Nil
Final 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 ASX Release - PaperlinX 2014 Full Year Results for explanation of results.

Net tangible assets

		30 June 2014	**30 June 2013**
Net tangible assets attributable to ordinary shareholders and PaperlinX Step-up Preference Securities holders	A$m	209.9	251.3
Net tangible assets per ordinary security		$(0.07)	$(0.04)

Details of entities over which control has been gained or lost

nil

Dividend reinvestment plan

The following dividend plans are currently suspended	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 to which one of the following applies.

X	The accounts have been audited.		The accounts have been subject to review.
	The accounts are in the process of being audited or subject to review.		The accounts have *not* yet been audited or reviewed.

A copy of the auditor's report is included in the attached financial report.

Michelle Wong
Company Secretary
Date: 20 August 2014

FINANCIAL REPORT

of PaperlinX Limited

30 June 2014

Contents

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $m	2013 Restated *(1)* $m
Continuing operations			
Revenue from sale of goods		2,833.2	2,777.9
Cost of inventory sold		(2,278.2)	(2,232.3)
Gross profit		555.0	545.6
Other income		8.5	8.2
Personnel costs		(302.5)	(314.0)
Logistics and distribution		(177.4)	(171.4)
Sales and marketing		(2.9)	(3.2)
Impairment reversals/(charges) - property, plant and equipment	19,21	2.0	(0.8)
Impairment charges - intangible assets	21	-	(25.1)
Other expenses		(118.7)	(113.3)
Result from operating activities		(36.0)	(74.0)
Net finance costs	9	(15.8)	(13.0)
Loss before tax		(51.8)	(87.0)
Tax expense	10	(11.1)	(7.2)
Loss from continuing operations		(62.9)	(94.2)
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	11	(0.7)	1.4
Loss for the period		(63.6)	(92.8)
Loss for the period attributable to:			
Equity holders of PaperlinX Limited		(63.6)	(92.8)
Basic earnings per share (cents)	7	(7.0)	(15.2)
Basic earnings per share from continuing operations (cents)	7	(6.9)	(15.5)
Diluted earnings per share (cents)	7	(7.0)	(15.2)
Diluted earnings per share from continuing operations (cents)	7	(6.9)	(15.5)

(1) Refer Note 2(f).

Notes 1 to 41 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $m	2013 Restated *(1)* $m
Loss for the period		(63.6)	(92.8)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial adjustments on defined benefit plans	32	11.4	(18.3)
Income tax expense relating to items that will not be reclassified to profit or loss	10,32	(3.9)	(2.1)
Total items that will not be reclassified to profit or loss		7.5	(20.4)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiaries		9.4	24.1
Total items that may be reclassified subsequently to profit or loss		9.4	24.1
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 for the period, net of tax		16.9	7.0
Total comprehensive loss for the period, net of tax		(46.7)	(85.8)
Total comprehensive loss for the period attributable to:			
Equity holders of PaperlinX Limited		(46.7)	(85.8)

(1) Refer Note 2(f).

Notes 1 to 41 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 $m	2013 $m
Current assets			
Cash and cash equivalents	13	107.0	87.8
Trade and other receivables	14	535.5	601.9
Income tax receivable		-	11.1
Inventories	15	275.7	302.4
Assets held for sale	16	1.7	-
Total current assets		919.9	1,003.2
Non-current assets			
Receivables	17	2.9	3.6
Investments	18	1.2	1.1
Property, plant and equipment	19	38.3	41.4
Intangible assets	20	82.0	78.8
Deferred tax assets	22	22.6	33.2
Total non-current assets		147.0	158.1
Total assets		1,066.9	1,161.3
Current liabilities			
Bank overdrafts		-	0.1
Trade and other payables	23	390.7	396.8
Loans and borrowings	24	25.9	81.3
Income tax payable		2.7	8.8
Employee benefits	25	12.8	15.9
Provisions	26	28.3	28.6
Total current liabilities		460.4	531.5
Non-current liabilities			
Payables		1.3	1.3
Loans and borrowings	24	174.8	129.1
Deferred tax liabilities	22	1.2	1.5
Employee benefits	25	111.4	129.7
Provisions	26	4.5	6.5
Total non-current liabilities		293.2	268.1
Total liabilities		753.6	799.6
Net assets		313.3	361.7
Equity			
Issued capital	27	1,895.7	1,895.6
Reserves	28	(114.1)	(123.9)
Accumulated losses		(1,723.1)	(1,686.5)
Total equity attributable to holders of ordinary shares of PaperlinX Limited		58.5	85.2
Issued PaperlinX step-up preference securities	29	276.5	276.5
Reserve for own PaperlinX step-up preference securities	29	(21.7)	-
PaperlinX step-up preference securities		254.8	276.5
Total equity		313.3	361.7

Notes 1 to 41 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of PaperlinX Limited						
$m	**Issued capital**	**Exchange fluctuation 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	(125.4)	-	1.5	(1,686.5)	276.5	**361.7**
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	(63.6)	-	**(63.6)**
Other comprehensive income							
• Actuarial adjustments on defined benefit plans	-	-	-	-	11.4	-	**11.4**
• Exchange differences on translation of overseas subsidiaries	-	9.4	-	-	-	-	**9.4**
• Income tax expense on other comprehensive income	-	-	-	-	(3.9)	-	**(3.9)**
Total other comprehensive income	-	9.4	-	-	7.5	-	**16.9**
Total comprehensive (loss)/income for the period	-	9.4	-	-	(56.1)	-	**(46.7)**
Transactions with owners recorded directly in equity							
• Employee share-based payment transactions	-	-	(0.3)	0.7	-	-	**0.4**
• Shares issued on acquisition of PaperlinX step-up preference securities *(1)*	2.2	-	-	-	19.5	(21.7)	**-**
• Transactions costs incurred on acquisition of PaperlinX step-up preference securities *(1)*	(2.1)	-	-	-	-	-	**(2.1)**
Total transactions with owners	0.1	-	(0.3)	0.7	19.5	(21.7)	**(1.7)**
Balance at 30 June 2014	1,895.7	(116.0)	(0.3)	2.2	(1,723.1)	254.8	**313.3**
Balance at 1 July 2012	1,893.5	(152.7)	(0.1)	3.4	(1,573.4)	276.5	**447.2**
Total comprehensive loss for the period							
Loss for the period *(2)*	-	-	-	-	(92.8)	-	**(92.8)**
Other comprehensive income							
• Actuarial adjustments on defined benefit plans *(2)*	-	-	-	-	(18.3)	-	**(18.3)**
• Exchange differences on translation of overseas subsidiaries	-	24.1	-	-	-	-	**24.1**
• Reclassification of exchange differences on disposal of controlled entities to Income Statement	-	3.2	-	-	0.1	-	**3.3**
• Income tax expense on other comprehensive income *(2)*	-	-	-	-	(2.1)	-	**(2.1)**
Total other comprehensive income/(loss)	-	27.3	-	-	(20.3)	-	**7.0**
Total comprehensive (loss)/income for the period	-	27.3	-	-	(113.1)	-	**(85.8)**
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**
• Employee loans forgiven - forfeited entitlements	0.5	-	-	-	-	-	**0.5**
Total transactions with owners	2.1	-	0.1	(1.9)	-	-	**0.3**
Balance at 30 June 2013	1,895.6	(125.4)	-	1.5	(1,686.5)	276.5	**361.7**

(1) Refer Note 29.
(2) Restated - refer Note 2(f).

Notes 1 to 41 form part of these financial statements and are to be read in conjunction therewith.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $m	2013 $m
Cash flows from operating activities			
Receipts from customers		2,936.0	2,864.2
Payments to suppliers and employees		(2,876.0)	(2,892.2)
Interest received		1.5	1.8
Interest paid		(13.6)	(12.7)
Income taxes refunded/(paid)		2.8	(2.8)
Net cash from/(used in) operating activities	33	50.7	(41.7)
Cash flows from investing activities			
Acquisition of:			
• Controlled entities and businesses (net of cash and bank overdraft acquired)		-	(3.1)
• Property, plant and equipment and intangibles		(7.6)	(9.0)
Net (payments)/proceeds from the sale of:			
• Controlled entities and businesses (proceeds less transaction costs) - net of cash and bank overdraft disposed		(0.1)	82.0
• Property, plant and equipment		1.3	15.9
Tasmanian manufacturing operations closure payments		(0.8)	(3.1)
Net cash (used in)/from investing activities		(7.2)	82.7
Cash flows from financing activities			
Proceeds from borrowings		42.4	27.5
Repayment of borrowings		(67.6)	(59.9)
Purchase of own shares for employees		(0.3)	(0.1)
Transaction costs paid for takeover offer - PaperlinX SPS units		(1.7)	(0.4)
Capitalised borrowing costs paid		(0.8)	(0.3)
Other borrowing costs paid		(1.8)	(1.2)
Net cash used in financing activities		(29.8)	(34.4)
Net increase in cash and cash equivalents		13.7	6.6
Cash and cash equivalents at the beginning of the period	33	87.7	80.0
Effect of exchange rate changes on cash held		5.6	1.1
Cash and cash equivalents at the end of the period	33	107.0	87.7

Notes 1 to 41 form part of these financial statements and are to be read in conjunction therewith.

Note 1. Reporting entity

PaperlinX Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 7 Dalmore Drive, Scoresby VIC 3179, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as "the Consolidated Entity"). The Consolidated Entity is a for-profit entity and is primarily involved in the merchanting of paper, communication materials and diversified materials, including packaging, sign and display and graphic supplies.

Note 2. Basis of preparation

(a) Statement of compliance

The Financial Report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The Financial Report complies with the International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

The Financial Report was authorised for issue by the Directors of the Company on 20 August 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value; and
- Financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in Note 3(u).

(e) Going concern basis of accounting

In preparing the Consolidated 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 24, a number of key financing facilities in Europe have been recently extended by the Consolidated Entity including a UK based facility that was due to expire in September 2015, which has been extended post balance date to September 2016. In addition, Note 24 discloses a number of facilities as non-current borrowings as the Consolidated Entity expects these facilities to remain in place and to be available to be drawn for a period of least greater than 12 months from the date of this report. This includes the main European facility that currently expires in September 2015 (refer Note 24 for details).

Notwithstanding that the majority of the Consolidated Entity's lending facilities are classified as non-current, 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. 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 2. Basis of preparation – (continued)

(f) New and amended standards adopted

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 *Disclosure 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 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*
- 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.*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

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. 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 the applicable discount rates. Previously, the interest income on plan assets was based on their long-term rate of expected return. The following table summarises the impact of this change 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 32.

For the year ended 30 June 2013	As previously reported $m	Reclassif-ication *(1)* $m	Restate-ment $m	As restated $m
Continuing operations				
Revenue from sale of goods	2,777.9	-	-	2,777.9
Cost of inventory sold	(2,232.3)	-	-	(2,232.3)
Gross profit	545.6	-	-	545.6
Other income	8.2	-	-	8.2
Personnel costs	(299.6)	(11.6)	(2.8)	(314.0)
Logistics and distribution	(171.4)	-	-	(171.4)
Sales and marketing	(3.2)	-	-	(3.2)
Impairment reversals/(charges) - property, plant and equipment	(0.8)	-	-	(0.8)
Impairment charges - intangible assets	(25.1)	-	-	(25.1)
Other expenses	(124.9)	11.6	-	(113.3)
Result from operating activities	(71.2)	-	(2.8)	(74.0)
Net finance costs	(13.0)	-	-	(13.0)
Loss before tax	(84.2)	-	(2.8)	(87.0)
Tax expense	(7.4)	-	0.2	(7.2)
Loss from continuing operations	(91.6)	-	(2.6)	(94.2)
Discontinued operations				
Loss from discontinued operations, net of tax	1.4	-	-	1.4
Loss for the period	(90.2)	-	(2.6)	(92.8)
Other comprehensive income				
Actuarial adjustments on defined benefit plans	(21.1)	-	2.8	(18.3)
Income tax benefit relating to items that will not be reclassified to profit or loss	(1.9)	-	(0.2)	(2.1)
Other	27.4	-	-	27.4
Other comprehensive income for the period, net of tax	4.4	-	2.6	7.0
Total comprehensive loss for the period	(85.8)	-	-	(85.8)

(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 Consolidated Income Statement, resulting in $11.6 million of expenses being reclassified from "other expenses" to "personnel costs".

Note 3. Accounting policies

The following significant accounting policies have been applied by the Consolidated Entity, having regard to its activities, in the preparation of the Consolidated Financial Report ("the Financial Report").

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

The Financial Report of the Consolidated Entity is in accordance with Accounting Standard AASB 10 *Consolidated Financial Statements*. In preparing the Financial Report, all balances and transactions between entities included in the Consolidated Entity have been eliminated.

- **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are carried at cost less accumulated impairment losses.

The financial statements of subsidiaries are included from the date that control commences until the date that control ceases.

Dividend distributions from subsidiaries are recognised by the Company when they are declared by the subsidiaries. Dividends received out of pre-acquisition reserves are recognised in the Income Statement, subject to impairment review.

- **Other entities**

Dividends from other investments are recognised when dividends are received or declared as being receivable.

- **PaperlinX Step-up Preference Securities**

The PaperlinX Step-up Preference Securities are recorded in equity, based on the terms and conditions attached thereto, and are measured as the proceeds received on issue net of the issue costs. The distributions paid/payable thereon are recorded as a distribution from retained earnings. During the current reporting period, the Company acquired a number of PaperlinX Step-up Preference Securities as part of an off-market takeover offer - refer Note 29.

(b) Share capital

- **Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(c) Revenue recognition

Sales revenue comprises revenue earned measured at the fair value of the consideration received or receivable (net of returns, discounts, allowances and the amount of goods and services tax) from the provision of products to entities outside the Consolidated Entity. Sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(d) Taxation

- **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised:

- initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit or loss; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Note 3. Accounting policies – (continued)

- **Tax consolidation - Australia**

The Australian Federal Government enacted legislation in 2003 to allow companies comprising a parent entity and Australian wholly owned subsidiaries to elect to consolidate and be treated as a single entity for Australian income tax purposes. The Company is the head entity of the Australian tax consolidated group.

The Company elected to form a tax consolidated group effective from 1 July 2003. Under the consolidation rules, the Company chose to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of the assets.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within the group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from the unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's statement of financial position and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised as amounts receivable or payable to other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

- **Nature of tax funding arrangements and tax sharing agreements - Australia**

The head entity in conjunction with other members of the tax-consolidated group has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising inter-entity receivables (payables) in the separate financial statements of the members of the tax consolidated group equal in amount to the tax liability (asset) assumed. The inter-entity receivables/payables are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company, as the head entity of the Australian tax consolidated group, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(e) Goods and Services Tax – Australia

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as an expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST payable to the ATO is included as a current liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Depreciation

Property, plant and equipment, excluding freehold land, are depreciated at rates based upon their expected useful lives using the straight-line method. Freehold land is not depreciated.

Depreciation rates used for each class of asset are as follows:

Land improvements:	between 1% - 3% (2013: 1% - 3%)
Buildings:	between 1% - 4% (2013: 1% - 4%)
Plant and equipment:	between 4% - 25% (2013: 4% - 20%)

Depreciation is expensed except to the extent it is included in the carrying amount of an asset as an allocation of production overheads.

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least annually.

Note 3. Accounting policies – (continued)

(g) Employee benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Government bonds at the reporting date which have maturity dates approximating the terms of the Consolidated Entity's obligations.

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and subsidised goods and services, are expenses based on the net marginal cost to the Consolidated Entity as the benefits are taken by the employees.

Employee benefits include, where appropriate, forecast future increases in wages and salaries, grossed up for on-costs, and are based on the Consolidated Entity's experience with staff departures.

- **Workers' compensation**

Provision is made for workers' compensation claims in accordance with self-insurance licences held in Victoria and Tasmania. The amount of this provision is confirmed at each year end by an independent actuary.

- **Share-based payments**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 4 and 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of equity instruments (share options and rights) that will eventually vest. At the end of each reporting period, the Consolidated Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, where the change is unrelated to market conditions, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee share plans reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. For options and performance rights granted before 7 November 2002 and/or vested before 1 January 2005, no expense has been recognised. The shares are recognised when the options and rights are exercised and the proceeds received are allocated to share capital.

- **Employee retirement benefit obligations**

The Consolidated Entity has both defined benefit and defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from the Consolidated Entity and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the plan to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the related changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (eg. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

(h) Net financing costs

Net financing costs comprise interest, amortisation of transaction costs directly attributable to obtaining debt facilities, unwind of discount on provisions and other financing charges including net foreign exchange gains and losses, net of interest income on funds invested. These costs are recognised in profit or loss, except to the extent the interest incurred relates to construction of major capital items in which case interest is capitalised as a cost of the asset up to the time it is ready for its intended use or sale.

Interest income is recognised in the Income Statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the Income Statement using the effective interest method.

For fixed assets, the capitalised interest and charges are amortised over the expected useful economic lives.

Transaction costs directly attributable to obtaining debt facilities are capitalised on initial recognition of the facility and amortised over the term of the facility.

Note 3. Accounting policies – (continued)

(i) Property, plant and equipment

Depreciable property, plant and equipment are shown in the Financial Report at cost or deemed cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value prior to 1 July 2004, the Australian Equivalent of International Financial Reporting Standards ("AIFRS") transition date, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Costs may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(j) Inventories

Inventories are valued at the lower of cost (including an appropriate proportion of fixed and variable overheads) and net realisable value in the normal course of business.

The cost of inventories is based on the first-in first-out or weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The provision for impairment losses is based on an ageing analysis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(l) Foreign currency

- **Transactions**

The Consolidated Entity is exposed to changes in foreign currency exchange rates as a consequence of the need to purchase items denominated in foreign currency as part of its activities. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities at balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction. All material foreign currency transactions which are not offset by a natural hedge are subject to forward exchange contracts or currency options, and any exchange gains/losses arising from the effect of currency fluctuations on the underlying transactions are offset by the exchange gains/losses on the forward exchange contract or currency option. As a result, exchange rate movements on such foreign currency transactions are largely offset within the Income Statement. Where an entity designates transactions to be accounted for as a cash flow hedge, any gains/losses are recorded in other comprehensive income as outlined below.

- **Translation of foreign subsidiaries**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income and presented in the exchange fluctuation reserve in equity.

Any exchange gains/losses arising on transactions entered into to hedge the currency fluctuations on the net investment in foreign subsidiaries are recorded, net of tax, in the exchange fluctuation reserve on consolidation where it is determined to be an effective hedge. When a foreign operation is disposed of, the cumulative amount in the exchange fluctuation reserve related to that foreign operation is reclassified to profit and loss as part of the gain or loss on disposal.

(m) Financial instruments

The Consolidated Entity is exposed to changes in interest rates, foreign currency exchange rates and commodity prices from its activities. The Consolidated Entity uses the following financial instruments to hedge these risks: interest rate swaps, forward exchange contracts, currency options and interest rate options. Financial instruments are not held for trading purposes.

- **Derivative instruments**

Derivative instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value. Attributable transaction costs are recognised in profit or loss as incurred.

Changes in the fair value of derivative instruments are recognised immediately in the Income Statement.

Note 3. Accounting policies – (continued)

- **Financial instruments included in liabilities**

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity and are stated at amortised cost.

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost. Any difference between cost and redeemable value is recognised as interest expense, on an effective interest basis in net financing costs over the period of the borrowings.

- **Financial instruments included in assets**

Trade debtors and other receivables are carried at amortised cost less any impairment losses. Collectability of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

Investments are initially recorded at cost and are subject to impairment testing at each reporting date. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables and held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

(n) Leased assets

Leases under which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is recognised as a finance lease obligation.

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Intangible assets

- **Goodwill**

Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less impairment losses where applicable.

Gains and losses on the disposal of an entity include the carrying value of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

- **Brand names**

Brand names acquired are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight line basis over a period of 5 years.

- **Other intangible assets**

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation and impairment losses.

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Amortisation rates used for other intangible assets are as follows:

Computer software:	10.0% - 40.0% (2013: 10% - 40.0%)
Customer lists:	6.7% - 14.3% (2013: 6.7% - 14.3%)

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(p) Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Entity takes into consideration potential voting rights that are currently exercisable.

The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree.

Note 3. Accounting policies – (continued)

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(q) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses recognised in respect of cash generating units are allocated first to any goodwill allocated to the cash generating unit, and then to other assets in the unit on a pro rata basis.

- **Recoverable amount**

The recoverable amount of receivables carried at cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

- **Reversals of impairment**

An impairment loss in respect of goodwill recorded in profit or loss in one period is not permitted to be reversed to profit or loss in a subsequent period.

In respect of other assets, an impairment loss is reversed only if there is an indication that the impairment loss may no longer exist or there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Provisions

A provision is recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

- **Surplus leased premises**

Provision is made for non-cancellable operating lease rentals payable on surplus leased premises when the expected future benefits to be obtained are lower than the unavoidable costs of meeting the obligations under these contracts.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Consolidated Entity recognises any impairment loss on the assets associated with that contract.

- **Restructuring**

A provision for restructuring is recognised when the Consolidated Entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been publicly announced. Future operating costs are not provided for.

- **Environmental remediation**

A provision for environmental remediation is recognised when a legal or constructive obligation to remediate exists due to the impact of a past event, and the provision can be reliably estimated.

(s) Earnings per share

The Company presents basic and diluted Earnings per Share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to members of the Company, after deduction of any distribution on the PaperlinX step-up preference securities, by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(t) Discontinued operation

A discontinued operation is a component of the Consolidated Entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

Note 3. Accounting policies – (continued)

(u) Accounting estimates and judgements

The Consolidated Entity makes estimates and assumptions concerning the future. Actual results may at times vary from estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Revisions of accounting estimates**

Revisions to accounting estimates are recognised prospectively in current and future periods when the estimates are revised.

- **Impairment of non-current assets**

The Consolidated Entity assesses whether non-current assets (including assets held for sale) are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash generating units to which the non-current assets are allocated based on forecast future cash flows and certain related assumptions. These assumptions are discussed in Note 21.

- **Defined benefit plan obligations**

Various actuarial assumptions are utilised in the determination of the Consolidated Entity's defined benefit plan obligations. These assumptions are discussed in Note 32.

- **Tasmania closure costs**

Management have made estimates and judgements to determine the costs associated with the closure of the Tasmanian manufacturing operations. The closure costs have been disclosed in discontinued operations. 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 income or expense from discontinued operations.

(v) Segment reporting

The Consolidated Entity determines and presents operating segments based on the information that is internally provided to the Managing Director and Chief Executive Officer (CEO), who is the Consolidated Entity's chief operating decision maker. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results are regularly reviewed by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, income tax assets and liabilities and centrally managed funding balances.

Segment information is further split between continuing operations and discontinued operations.

(w) Non-current assets held for sale

Non-current assets that are expected to be recovered through sale are classified as held for sale. The assets have been valued and are measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale are also subject to an impairment assessment.

(x) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations which may be relevant to the Company or Consolidated Entity were available for early adoption but have not been applied by the Consolidated Entity in these financial statements:

- AASB 9 *Financial Instruments (Dec 2009)* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become applicable to annual reporting periods beginning on or after 1 January 2017.
- AASB 9 *Financial Instruments (Dec 2010)* includes requirements for the classification and measurement of financial liabilities resulting from Phase 2 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become applicable to annual reporting periods beginning on or after 1 January 2017.
- AASB 9 *Financial Instruments (2013)* includes requirements for the classification and measurement of financial liabilities resulting from Phase 3 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become applicable to annual reporting periods beginning on or after 1 January 2017.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132. The amendments will become applicable to annual reporting periods beginning on or after 1 January 2014.
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting* amends AASB 139 *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments will become applicable to annual reporting periods beginning on or after 1 January 2014.

The Consolidated Entity has not yet determined the potential effect, if any, of the new and amending standards and interpretations on the Consolidated Entity's Financial Report.

Note 4. Determination of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made to determine fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings are based on the quoted market prices for similar items.

(b) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Derivatives

The fair value of forward exchange contracts is determined by reference to the contractual forward price and the forward price from external sources at balance date for the same currency pair, amount and maturity date.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(g) Share-based payment transactions

The fair value of employee share options and rights are measured utilising either:

- a discounted cash flow technique. The value of the share-based payments is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period; or
- the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of the total shareholder return performance hurdles that must be met before the share-based payments vest to the holder. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk free interest rate (based on government bonds).

Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(h) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

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 11 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 year ended 30 June 2014									
External sales revenue		2,000.4	412.0	420.8	-	2,833.2	-	-	2,833.2
Inter-segment sales revenue		-	-	3.2	(3.2)	-	-	-	-
Total revenue		2,000.4	412.0	424.0	(3.2)	2,833.2	-	-	2,833.2
(Loss)/profit before net finance costs, tax and significant items		(23.6)	15.7	15.3	(11.0)	(3.6)	(0.3)	-	(3.9)
Net other finance costs		-	-	-	(3.4)	(3.4)	-	-	(3.4)
Underlying (loss)/profit before interest and tax		(23.6)	15.7	15.3	(14.4)	(7.0)	(0.3)	-	(7.3)
Significant items (pre-tax)	6	(27.8)	(0.7)	(2.3)	(1.6)	(32.4)	(0.1)	-	(32.5)
(Loss)/profit before interest and tax		(51.4)	15.0	13.0	(16.0)	(39.4)	(0.4)	-	(39.8)
Net interest					(12.4)	(12.4)	(0.3)	-	(12.7)
Loss before tax					(28.4)	(51.8)	(0.7)	-	(52.5)
Tax expense - pre-significant items					(11.5)	(11.5)	-	-	(11.5)
Tax benefit - significant items	6				0.4	0.4	-	-	0.4
Loss for the period					(39.5)	(62.9)	(0.7)	-	(63.6)
The loss before tax includes:									
Depreciation and amortisation	19,20	(6.2)	(1.8)	(1.7)	(0.3)	(10.0)	-	-	(10.0)
Impairment reversals	21	2.0	-	-	-	2.0	-	-	2.0
Depreciation, amortisation and impairment		(4.2)	(1.8)	(1.7)	(0.3)	(8.0)	-	-	(8.0)
Capital expenditure		5.5	0.9	1.1	0.1	7.6	-	-	7.6
As at 30 June 2014									
Total assets		667.0	138.0	229.3	26.3	1,060.6	6.3	-	1,066.9
Total liabilities		398.7	50.6	85.8	212.8	747.9	5.7	-	753.6
Net assets/(liabilities)		268.3	87.4	143.5	(186.5)	312.7	0.6	-	313.3

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 year ended 30 June 2013 - Restated *(1)*									
External sales revenue		1,953.7	401.5	422.7	-	2,777.9	27.8	-	2,805.7
Inter-segment sales revenue		-	-	3.9	(3.9)	-	-	-	-
Total revenue		1,953.7	401.5	426.6	(3.9)	2,777.9	27.8	-	2,805.7
(Loss)/profit before net finance costs, tax and significant items		(35.8)	12.3	12.6	(11.5)	(22.4)	2.7	-	(19.7)
Net other finance costs		-	-	-	(1.8)	(1.8)	-	-	(1.8)
Underlying (loss)/profit before interest and tax		(35.8)	12.3	12.6	(13.3)	(24.2)	2.7	-	(21.5)
Significant items (pre-tax)	6	(46.5)	(1.6)	(3.0)	(0.5)	(51.6)	(0.1)	-	(51.7)
(Loss)/profit before interest and tax		(82.3)	10.7	9.6	(13.8)	(75.8)	2.6	-	(73.2)
Net interest					(11.2)	(11.2)	(1.1)	-	(12.3)
(Loss)/profit before tax					(25.0)	(87.0)	1.5	-	(85.5)
Tax expense - pre-significant items					(7.7)	(7.7)	(0.1)	-	(7.8)
Tax benefit - significant items	6,11				0.5	0.5	-	-	0.5
(Loss)/profit for the period					(32.2)	(94.2)	1.4	-	(92.8)
The (loss)/profit before tax includes:									
Depreciation and amortisation	19,20	(8.6)	(1.7)	(1.9)	(0.5)	(12.7)	(0.1)	-	(12.8)
Impairment charges	21	(25.1)	-	(0.8)	-	(25.9)	-	-	(25.9)
Depreciation, amortisation and impairment		(33.7)	(1.7)	(2.7)	(0.5)	(38.6)	(0.1)	-	(38.7)
Capital expenditure		6.8	1.5	3.0	-	11.3	0.1	-	11.4
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 2(f).

Note 6. Individually significant items

		Continuing			Discontinued			Total		
For the year ended 30 June	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
2014										
Loss on sale of controlled entities	11	-	-	-	(1.5)	-	(1.5)	(1.5)	-	(1.5)
Reversal of prior period impairment of property, plant and equipment	21	2.0	-	2.0	-	-	-	2.0	-	2.0
Restructuring costs *(1)*		(34.4)	0.4	(34.0)	-	-	-	(34.4)	0.4	(34.0)
Write-back of provisions re closure of discontinued Tasmanian operations		-	-	-	1.4	-	1.4	1.4	-	1.4
Total individually significant items		(32.4)	0.4	(32.0)	(0.1)	-	(0.1)	(32.5)	0.4	(32.1)
2013										
Loss on sale of controlled entities	11	-	-	-	(3.4)	-	(3.4)	(3.4)	-	(3.4)
Impairment of intangible assets	21	(25.1)	-	(25.1)	-	-	-	(25.1)	-	(25.1)
Restructuring costs *(1) (2)*		(26.5)	0.5	(26.0)	-	-	-	(26.5)	0.5	(26.0)
Write-back of provisions re closure of discontinued Tasmanian operations		-	-	-	3.3	-	3.3	3.3	-	3.3
Total individually significant items		(51.6)	0.5	(51.1)	(0.1)	-	(0.1)	(51.7)	0.5	(51.2)

(1) Restructuring costs are included in 'other expenses' in the Consolidated Income Statement.
(2) Includes $0.8m impairment of property, plant and equipment which arose as part of restructuring activities in the Australia, New Zealand and Asia segment - refer Notes 19 and 21.

Note 7. Earnings per share

	Continuing		Discontinued		Total	
	2014 $m	2013 Restated *(1)* $m	2014 $m	2013 $m	2014 $m	2013 Restated *(1)* $m
(Loss)/profit for the period	(62.9)	(94.2)	(0.7)	1.4	(63.6)	(92.8)
Add gain on purchase of PaperlinX step-up preference securities *(2)*	19.5	-	-	-	19.5	-
(Loss)/profit for the period attributable to holders of ordinary shares in PaperlinX Limited	(43.4)	(94.2)	(0.7)	1.4	(44.1)	(92.8)
Weighted average number of shares - basic (millions)	628.6	609.3	628.6	609.3	628.6	609.3
Basic EPS (cents)	(6.9)	(15.5)	(0.1)	0.3	(7.0)	(15.2)
Weighted average number of shares - diluted (millions)	628.6	609.3	628.6	609.3	628.6	609.3
Diluted EPS (cents)	(6.9)	(15.5)	(0.1)	0.3	(7.0)	(15.2)

(1) Refer Note 2(f).
(2) Refer Note 29.

The options to purchase shares and rights on issue during the years ended 30 June 2014 and 30 June 2013 have not been included in determining the basic earnings per share.

The options to purchase shares and rights on issue during the year ended 30 June 2014 (weighted average 42.9 million shares) have not been included in determining the diluted earnings per share because they are anti-dilutive. The options to purchase shares and rights on issue during the year ended 30 June 2013 (weighted average 5.0 million shares) have not been included in determining the diluted earnings per share for the prior period because they are anti-dilutive.

Nil options or rights have been issued since 30 June 2014 up to the date of this report.

No options or rights have been exercised, resulting in the issuing of nil shares since 30 June 2014 up to the date of this report. Nil rights have vested since 30 June 2014 and are exercisable as at the date of this report. In addition, nil options and nil rights have lapsed since 30 June 2014 in respect of the plan period ended 30 June 2014.

Note 8. Other income from continuing operations

	2014 $m	2013 $m
Rent	2.2	2.1
Net profit on disposal of non-current assets	2.1	0.6
Other	4.2	5.5
Total other income	8.5	8.2

Note 9. Net finance costs from continuing operations

	2014 $m	2013 $m
Net interest		
Interest expense	(13.9)	(13.1)
Interest income	1.5	1.9
Net interest	(12.4)	(11.2)
Net other finance costs		
Net other foreign exchange losses	(0.7)	-
Other borrowing costs	(2.7)	(1.8)
Net other finance costs	(3.4)	(1.8)
Total net finance costs	(15.8)	(13.0)

Note 10. Income tax expense

	2014 $m	2013 Restated *(1)* $m
Prima facie income tax benefit attributable to loss from continuing and discontinued operations at the Australian tax rate of 30% (2013: 30%)	15.7	25.6
Add/(deduct) the tax effect of:		
• Tax losses not brought to account	(20.9)	(17.1)
• Prior year booked tax losses written off in the current year	(3.0)	(3.3)
• Write-off of temporary differences	(1.9)	-
• Overseas tax rate differential	(1.8)	(4.8)
• Other non-deductible/non-assessable items	0.4	(1.5)
• Amortisation of goodwill allowable	0.4	0.4
• (Under)/over provision in prior years	(0.3)	0.6
• Non-deductible impairment expenses - significant item	-	(6.2)
• Non-assessable impairment reversals - significant item	0.7	-
• Non-deductible loss on sale of merchanting businesses - discontinued significant item	(0.4)	(1.0)
Total tax expense in income statement	(11.1)	(7.3)
comprising:		
Tax expense from continuing operations	(11.1)	(7.2)
Tax expense from discontinued operations	-	(0.1)
	(11.1)	(7.3)
Recognised in the income statement		
Current tax expense		
• Current year	(4.4)	(3.3)
• (Under)/over provision in prior years	(0.3)	0.6
Deferred tax expense	(6.4)	(4.6)
Total tax expense in income statement	(11.1)	(7.3)
Recognised in other comprehensive income		
Tax effect of actuarial adjustments on defined benefit plans	(3.9)	(2.1)
Total tax expense recognised in other comprehensive income	(3.9)	(2.1)

(1) Refer Note 2(f).

The balance of the consolidated franking account as at the reporting date was $Nil (2013: $Nil).

Note 11. 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.

The businesses were sold in order to improve liquidity and provide funds for major restructuring in key European markets.

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

	Europe		North America		Manufacturing & Group Elims		Total Discontinued Operations	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Revenue	-	27.8	-	-	-	-	-	27.8
Other income	-	-	-	-	-	3.3	-	3.3
Trading expenses	-	(27.5)	-	-	(0.3)	(0.9)	(0.3)	(28.4)
Result from operating activities before significant items, net finance costs, and tax	-	0.3	-	-	(0.3)	2.4	(0.3)	2.7
Significant items - operating activities	-	-	-	-	1.4	3.3	1.4	3.3
Significant items - loss/(profit) on sale of discontinued operations *(1)*	(1.0)	(0.5)	0.2	(2.9)	(0.7)	-	(1.5)	(3.4)
Result before interest and tax	(1.0)	(0.2)	0.2	(2.9)	0.4	5.7	(0.4)	2.6
Net interest	-	(0.1)	-	-	(0.3)	(1.0)	(0.3)	(1.1)
Result before tax	(1.0)	(0.3)	0.2	(2.9)	0.1	4.7	(0.7)	1.5
Tax expense pre-significant items	-	(0.1)	-	-	-	-	-	(0.1)
Tax expense significant items - operating activities	-	-	-	-	-	-	-	-
(Loss)/profit for the period	(1.0)	(0.4)	0.2	(2.9)	0.1	4.7	(0.7)	1.4

(1) There was no tax benefit applicable to the loss on sale of discontinued operations in the current and comparative reporting periods.

Cash flows from discontinued operations

	2014 $m	2013 $m
Net cash from/(used in) operating activities	2.2	(1.0)
Net cash (used in)/from investing activities	(1.0)	83.3
Net cash from discontinued operations	1.2	82.3

Note 12. Dividends and distributions

(a) Dividends on PaperlinX Limited ordinary shares

No dividends have been declared or paid on PaperlinX Limited ordinary shares during the current or comparative reporting periods. Refer Note 29 for restrictions on dividend payments.

(b) Distributions on PaperlinX step-up preference securities

On 27 May 2014, the company announced that the distribution for the period 1 January 2014 to 30 June 2014 would not be paid. The interim distribution rate for the period 1 July 2014 to 31 December 2014 is 7.3600%. 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.

Note 13. Cash and cash equivalents

	2014 $m	2013 $m
Cash on hand and at bank	76.2	52.3
Deposits at call	30.8	35.5
Total cash and cash equivalents	107.0	87.8

Under certain regional asset backed loan facilities, lender approval is required to transfer cash between entities within the Consolidated Entity. Balances subject to these approvals at reporting date were $97.4 million (2013: $73.9 million).

Note 14. Trade and other receivables

	2014 $m	2013 $m
Trade debtors	508.8	576.5
Provision for impairment losses	(27.9)	(27.3)
Net trade debtors	480.9	549.2
Accrued rebates	21.1	20.0
Amounts receivable on sale of property, plant and equipment, controlled entities and investments	6.0	3.9
Other debtors	5.8	7.3
Prepayments	21.7	21.5
Total trade and other receivables	535.5	601.9

The Consolidated Entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 31.

The amount of receivables pledged as part of the regional loan facilities at balance date was $155.8 million (2013: $187.5 million).

The amount of receivables transferred but not derecognised as part of the loan facilities in the Europe segment at balance date was $39.6 million (2013: $18.2 million).

Note 15. Inventories

	2014 $m	2013 $m
Finished goods	284.0	309.2
Provision for impairment losses	(8.6)	(6.9)
Net finished goods	275.4	302.3
Net raw materials and stores	0.3	0.1
Total inventories	275.7	302.4

The amount of provision charged to the Income Statement for diminution in value of inventories was $1.3 million for continuing operations (2013: $0.8 million) and $nil for discontinued operations (2013: $(0.1) million).

The amount of inventories pledged as part of the regional loan facilities in Canada and New Zealand at balance date was $nil (2013: $0.3 million).

Note 16. Assets held for sale

	Note	2014 $m	2013 $m
Property, plant and equipment	19,21	1.7	-
Total assets held for sale		1.7	-

A warehouse, part of the Europe Merchanting segment, was reclassified as held for sale during the reporting period. The warehouse had been fully impaired in a prior reporting period. On remeasurement to its carrying amount (which is lower than the fair value less costs to sell), an impairment reversal of $2.0m was recognised in the Consolidated Income Statement. The carrying amount is the amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior reporting periods. Efforts to sell the warehouse have commenced and a sale is expected to occur in the next reporting period.

Note 17. Receivables - non-current

	2014 $m	2013 $m
Amounts receivable on sale of property, plant and equipment, controlled entities and investments	2.4	3.1
Other debtors	0.5	0.5
Total receivables non-current	2.9	3.6

Note 18. Investments

	2014 $m	2013 $m
Shares in other companies - not listed on stock exchanges:		
• At cost	2.2	2.1
• Impairment	(1.0)	(1.0)
Total investment in shares in unlisted companies	1.2	1.1
Total investments	1.2	1.1

Note 19. Property, plant and equipment

$ million	Land	Land improve-ments	Buildings	Plant and equipment	Total
Cost or deemed cost:					
Balance at 1 July 2013	6.6	0.7	46.5	235.9	289.7
Additions	-	-	0.1	3.4	3.5
Disposals	-	-	(3.1)	(15.9)	(19.0)
Transfers to assets held for sale	(0.9)	-	(1.1)	-	(2.0)
Transfers	-	-	(0.2)	(2.8)	(3.0)
Foreign currency movements	0.5	-	1.7	7.8	10.0
Balance at 30 June 2014	6.2	0.7	43.9	228.4	279.2
Depreciation and impairment losses:					
Balance at 1 July 2013	(2.9)	(0.7)	(34.2)	(210.5)	(248.3)
Depreciation	-	-	(1.1)	(6.2)	(7.3)
Impairment reversals	0.9	-	1.1	-	2.0
Disposals	-	-	2.0	15.7	17.7
Transfers to assets held for sale	-	-	0.3	-	0.3
Transfers	-	-	0.3	2.7	3.0
Foreign currency movements	(0.1)	-	(1.1)	(7.1)	(8.3)
Balance at 30 June 2014	(2.1)	(0.7)	(32.7)	(205.4)	(240.9)
Carrying amount as at 30 June 2014	4.1	-	11.2	23.0	38.3
Cost or deemed cost:					
Balance at 1 July 2012	7.0	1.6	78.0	232.9	319.5
Additions	-	-	0.4	4.8	5.2
Disposals	(0.8)	(0.9)	(33.9)	(18.0)	(53.6)
Transfers	-	-	(0.6)	0.7	0.1
Foreign currency movements	0.4	-	2.6	15.5	18.5
Balance at 30 June 2013	6.6	0.7	46.5	235.9	289.7
Depreciation and impairment losses:					
Balance at 1 July 2012	(3.5)	(1.6)	(65.4)	(205.7)	(276.2)
Depreciation	-	-	(1.0)	(7.3)	(8.3)
Impairment charges	-	-	-	(0.8)	(0.8)
Disposals	0.8	0.9	33.9	17.3	52.9
Transfers	-	-	0.2	(0.4)	(0.2)
Foreign currency movements	(0.2)	-	(1.9)	(13.6)	(15.7)
Balance at 30 June 2013	(2.9)	(0.7)	(34.2)	(210.5)	(248.3)
Carrying amount as at 30 June 2013	3.7	-	12.3	25.4	41.4

Refer Note 21 for details of the impairment review.

Note 20. Intangible assets

$ million	Goodwill	Computer software	Brand names	Other	Total
Cost or deemed cost:					
Balance at 1 July 2013	243.4	89.9	17.5	8.7	359.5
Additions	-	4.1	-	-	4.1
Disposals/retirements	-	(4.9)	-	-	(4.9)
Foreign currency movements	11.2	4.1	1.5	0.6	17.4
Balance at 30 June 2014	254.6	93.2	19.0	9.3	376.1
Amortisation and impairment losses:					
Balance at 1 July 2013	(177.3)	(80.1)	(17.5)	(5.8)	(280.7)
Amortisation	-	(2.0)	-	(0.7)	(2.7)
Disposals/retirements	-	4.9	-	-	4.9
Foreign currency movements	(9.8)	(3.7)	(1.5)	(0.6)	(15.6)
Balance at 30 June 2014	(187.1)	(80.9)	(19.0)	(7.1)	(294.1)
Carrying amount as at 30 June 2014	67.5	12.3	-	2.2	82.0
Cost or deemed cost:					
Balance at 1 July 2012	224.6	77.3	16.3	8.2	326.4
Additions	-	3.8	-	-	3.8
Acquisition of businesses	2.4	-	-	-	2.4
Foreign currency movements	16.4	8.8	1.2	0.5	26.9
Balance at 30 June 2013	243.4	89.9	17.5	8.7	359.5
Amortisation and impairment losses:					
Balance at 1 July 2012	(165.2)	(51.7)	(8.0)	(4.9)	(229.8)
Amortisation	-	(3.0)	(0.8)	(0.7)	(4.5)
Impairment charges	-	(17.8)	(7.3)	-	(25.1)
Foreign currency movements	(12.1)	(7.6)	(1.4)	(0.2)	(21.3)
Balance at 30 June 2013	(177.3)	(80.1)	(17.5)	(5.8)	(280.7)
Carrying amount as at 30 June 2013	66.1	9.8	-	2.9	78.8

Amortisation of intangible assets is included in "other" expenses in the Consolidated Income Statement.

Note 21. Impairment of non-current assets

Impairment review

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. An impairment review was performed at 30 June 2014.

Cash generating units

For the purposes of undertaking impairment testing for goodwill and indefinite life intangible assets, cash generating units (“CGUs”) are identified. CGUs are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of goodwill and intangible assets with an indefinite useful life are as follows:

	Goodwill		Intangible assets with indefinite useful lives	
	2014 $m	2013 $m	2014 $m	2013 $m
Merchanting CGU's				
• Continental Europe	0.9	0.8	-	-
• Canada	35.9	37.0	-	-
• Australia, New Zealand and Asia	30.7	28.3	-	-
	67.5	66.1	-	-

Note 21. Impairment of non-current assets – (continued)

Impairment testing – goodwill and property, plant and equipment

Impairment testing compares the carrying value of an individual asset or CGU with its recoverable amount based on a value in use calculation.

The assumptions used for determining the recoverable amount of each asset and CGU are based on past experience and expectations for the future. Cash flow projections have been based on Management approved budgets and forecasts. These budgets and forecasts use management estimates to determine income, expenses, working capital movements, capital expenditure and cash flows for each CGU. The projected cash flows for each CGU are discounted using an appropriate discount rate and terminal growth rate.

The following assumptions have been used in determining the recoverable amount of CGUs to which goodwill and property, plant and equipment have been allocated:

Discount rates:	Continental Europe – 12.5% (2013: 12.2%), United Kingdom and Ireland – 12.9% (2013: 13.0%), Canada – 11.9% (2013: 11.6%) and Australia, New Zealand and Asia – 14.3% (2013: 14.1%). The discount rates represent the pre-tax discount rate applied to the cash flow projections. The discount rates reflect the market determined, risk adjusted discount rates.
Terminal growth rate:	Terminal growth rate: 1.6% - 2.0% (2013: 1.6% - 2.0%). The terminal growth rate represents the growth rate applied to extrapolate cash flows beyond the five year forecast period. The growth rate is based upon expectations of the CGUs' long-term performance.
Gross margin:	An overall improvement in gross profit percentage as a result of a change in the sales mix from lower margin core paper to higher margin diversified products over the forecast period and operational efficiencies in the core paper business.
Trading expenses:	An overall improvement in the ratio of trading expenses to sales as a result of certain Board approved restructuring programs and operating efficiencies over the forecast period.
Sales volumes:	For the core paper business, sales volumes are forecast to remain flat or decline based on industry forecasts for each CGU. For the diversified business, volume growth is based on management's estimates of market growth and market share.
Sales prices:	Forecast to increase or decrease based on assumptions about local industry conditions and, where relevant, exchange rates.

Results and sensitivity analysis – goodwill and property, plant and equipment

Continental Europe:	The only goodwill in the Continental Europe CGU relates to the acquisition of Cadorit i Borås AB in June 2013. The recoverable amount for the CGU comfortably exceeds the carrying value. There would need to be a significantly adverse movement in trading expenses to sales, paper gross margins or diversified gross margins in order for an impairment of goodwill or property, plant and equipment to arise in future reporting periods.
United Kingdom and Ireland (UKI):	There is no goodwill in the United Kingdom and Ireland CGU. The recoverable amount for the CGU comfortably exceeds the carrying value. There would need to be a significantly adverse movement in trading expenses to sales, paper gross margins or diversified gross margins in order for an impairment of property, plant and equipment to arise in future reporting periods.
Canada:	The recoverable amount for this CGU comfortably exceeds the carrying value. There would need to be a significantly adverse movement in one or more key assumptions, being core paper volumes, gross margin, trading expenses to sales or selling prices, in order for an impairment of goodwill to arise in future reporting periods.
Australia, New Zealand and Asia (ANZA):	The valuation for the CGU exceeds the carrying value. However, testing at a country level within the CGU highlighted one operation (with $6.1m of goodwill), where the recoverable amount approximates the carrying amount. Therefore, any adverse movement in a key assumption in the future may lead to an impairment of goodwill allocated to that operation.

Brand names

Due to the significant uncertainty around the ongoing commitment to the promotion and sale of 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.

Computer software

The Continental Europe, UKI, Canada and ANZA CGU's have capitalised software. There were no indications of impairment for these assets as at balance date. In the prior comparative reporting period, an impairment charge of $17.8 million was booked against the carrying value of computer software in the Merchanting Europe segment.

Note 21. Impairment of non-current assets – (continued)

Impairment loss and reversals

A summary of impairment charges/reversals by asset category is as follows:

		Property, plant and equipment					Intangibles			
$ million	**Assets held for sale**	**Land**	**Build-ings**	**Plant and equip't**	**Leased assets**	**Total**	**Good-will**	**Brands**	**Computer software**	**Total**
2014										
Impairment (charges)/reversals:										
• Continental Europe	-	0.9	1.1	-	-	2.0	-	-	-	-
Total	-	0.9	1.1	-	-	2.0	-	-	-	-
2013										
Impairment (charges)/reversals:										
• Continental Europe	-	-	-	-	-	-	-	(1.0)	(7.8)	(8.8)
• United Kingdom and Ireland	-	-	-	-	-	-	-	(6.3)	(10.0)	(16.3)
• Australia, New Zealand and Asia	-	-	-	(0.8)	-	(0.8)	-	-	-	-
Total	-	-	-	(0.8)	-	(0.8)	-	(7.3)	(17.8)	(25.1)

Note 22. Deferred tax balances

	2014 $m	**2013 $m**
Deferred taxes		
Deferred tax assets	22.6	33.2
Deferred tax liabilities	(1.2)	(1.5)
Net deferred tax balances	21.4	31.7
Movement in net deferred tax balances during the reporting period:		
Opening balance	31.7	38.4
Recognised in profit or loss *(1)*	(6.4)	(4.6)
Recognised in other comprehensive income *(1)*	(3.9)	(2.1)
Closing balance	21.4	31.7
Deferred tax balances are attributable to the following:		
Provisions and employee benefits	23.3	23.5
Tax losses	2.2	7.8
Property, plant and equipment	(0.5)	(0.7)
Intangible assets	(1.3)	(1.3)
Other items	(2.3)	2.4
Net deferred tax balances	21.4	31.7
Unrecognised deferred tax assets *(2)*		
Capital losses - no expiry date	150.6	150.1
Revenue losses - no expiry date	285.2	257.7
Total unrecognised deferred tax assets	435.8	407.8

(1) Prior comparative reporting period restated - refer Note 2(f).

(2) Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits thereon.

Note 23. Trade and other payables

	2014 $m	2013 $m
Trade creditors	300.0	301.0
Accrued expenses	15.4	9.5
Sales tax, GST and VAT	25.0	24.4
Rebates	13.1	15.2
Other creditors	37.2	46.7
Total trade and other payables	390.7	396.8

Note 24. Loans and borrowings

(a) Current

	Currency	Nominal interest rate *(1)*	Year of Maturity	2014 $m	2013 $m
• Bank loans - secured *(2)*	EUR	CP Rate *(3)*	2015 *(10)*	0.2	7.5
• Bank loans - secured *(2)*	GBP	CP Rate *(3)*	2015 *(10)*	3.2	7.7
• Bank loans - secured *(2)*	GBP	BBLR *(4)*	2015 *(11)*	1.3	46.2
• Bank loans - secured *(2)*	AUD	BBSR *(5)*	2016 *(10)*	-	4.4
• Bank loans - secured *(2)*	NZD	BKBM *(6)*	2017 *(10)*	0.4	0.9
• Bank loans - secured *(2)*	PLN	Wibor *(7)*	2015	14.4	8.8
• Bank loans - secured *(2)*	CZK	Pribor *(8)*	2015 *(10)*	0.4	-
• Bank loans - secured *(2)*	EUR	Euribor *(9)*	2015-17 *(10)*	0.4	0.8
• Other bank loans - secured	EUR	various	various	1.4	1.7
• Capitalised borrowing costs				(0.5)	(0.2)
Bank loans - secured				21.2	77.8
Bank loans - unsecured	various	various	various	4.7	3.5
Total loans and borrowings - current				25.9	81.3

(b) Non-current

	Currency	Nominal interest rate *(1)*	Year of Maturity	2014 $m	2013 $m
• Bank loans - secured *(2)*	EUR	CP Rate *(3)*	2015 *(10)*	21.3	26.7
• Bank loans - secured *(2)*	GBP	CP Rate *(3)*	2015 *(10)*	71.5	85.2
• Bank loans - secured *(2)*	GBP	BBLR *(4)*	2015 *(11)*	57.1	-
• Bank loans - secured *(2)*	AUD	BBSR *(5)*	2016 *(10)*	0.8	7.9
• Bank loans - secured *(2)*	CZK	Pribor *(8)*	2015 *(10)*	5.1	-
• Bank loans - secured *(2)*	EUR	Euribor *(9)*	2015-17 *(10)*	19.4	8.6
• Bank loans - secured *(2)*	NZD	BKBM *(6)*	2017 *(10)*	-	1.4
• Bank loans - secured *(2)*	CAD	C Prime *(12)*	2016 *(10)*	-	-
• Capitalised borrowing costs				(0.4)	(0.7)
Bank loans - secured				174.8	129.1
Total loans and borrowings - non-current				174.8	129.1

(1) Excludes company specific margins.
(2) These bank loans are facilities secured by certain assets.
(3) CP Rate: Commercial Paper Rate.
(4) BBLR: Bank Based Lending Rate.
(5) BBSR: Bank Bill Swap Rate.
(6) BKBM: Bank Bill Market Rate.
(7) Wibor: Warsaw Inter Bank Offer Rate.
(8) Pribor: Prague Inter Bank Offer Rate.
(9) Euribor: Euro Inter Bank Offer Rate.
(10) The Consolidated Entity has the discretion and intention to extend a portion 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 Management approved budgets
(11) Subsequent to balance date the maturity date of this facility was extended to September 2016 - refer to Note 41.
(12) C Prime: Canadian Prime rate.

Note 24. Loans and borrowings – (continued)

The regional asset backed facilities in Australia, NZ, Canada, UK and Continental Europe have availability periods of between 1 to 3 years, and, in some cases, include regional covenant measures. These will vary by region and may include fixed charge coverage ratios, interest cover, EBITDA, net worth tests and gearing levels. These facilities have restrictions on the ability to draw down and move cash within the Consolidated Entity.

The regional asset backed facilities in Australia, UK and Continental 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.

(c) Reconciliation of consolidated loans and borrowings

	Note	2014 $m	2013 $m
Current loans and borrowings		25.9	81.3
Non-current loans and borrowings		174.8	129.1
Total loans and borrowings		200.7	210.4
Cash and cash equivalents	13	(107.0)	(87.8)
Bank overdrafts		-	0.1
Net loans and borrowings		93.7	122.7

Note 25. Employee benefits

(a) Current

	2014 $m	2013 $m
Leave entitlements	10.1	9.0
Workers' compensation *(1)*	2.4	2.5
Other entitlements	0.3	4.4
Total current employee benefits	12.8	15.9

(1) Amounts provided for self-insured workers' compensation in Victoria and Tasmania.

(b) Non-current

	Note	2014 $m	2013 $m
Defined benefit obligations	32	107.9	126.1
Leave entitlements		0.8	0.7
Other entitlements		2.7	2.9
Total non-current employee benefits		111.4	129.7

(c) Total employee benefits

	2014 $m	2013 $m
Current	12.8	15.9
Non-current	111.4	129.7
Total employee benefits	124.2	145.6

Note 26. Provisions

Restructuring

Provisions have been raised for the costs associated with employee redundancies, relocation, office/warehouse closure costs and onerous contracts arising from restructuring programs in the United Kingdom, Continental Europe, Canada and Australia.

Tas Paper closure

The decision to close the Tasmanian paper manufacturing operations (refer Note 11) resulted in provisions being raised in prior reporting periods for:

- Environmental works at the Burnie and Wesley Vale mills. These works are now substantially complete. Remaining works are minor in nature and are expected to be completed within the next 6-12 months.
- Transaction costs associated with the Tas Paper closure (e.g. legal and consulting fees). The remaining costs are expected to be incurred within the next 6-12 months.

Other

Other provisions relate to remediation for the divested Australian Paper operations, and provisions relating to divested operations in Continental Europe.

Note 26. Provisions – (continued)

(a) Current

$ million	Restructuring	Tas Paper closure	Other	Total
Balance at 1 July 2013	23.7	2.6	2.3	28.6
Provided/(released) during the year	31.8	(1.4)	1.2	31.6
Paid during the year	(33.7)	(0.8)	(1.1)	(35.6)
Transfers	0.9	-	1.6	2.5
Foreign currency movements	1.2	-	-	1.2
Balance at 30 June 2014	23.9	0.4	4.0	28.3
Balance at 1 July 2012	18.6	8.6	2.8	30.0
Provided/(released) during the year	26.4	(3.3)	0.2	23.3
Paid during the year	(28.6)	(3.1)	(2.0)	(33.7)
Transfers	5.0	0.4	1.3	6.7
Foreign currency movements	2.3	-	-	2.3
Balance at 30 June 2013	23.7	2.6	2.3	28.6

(b) Non-current

$ million	Restructuring	Tas Paper closure	Other	Total
Balance at 1 July 2013	3.0	-	3.5	6.5
Provided/(released) during the year	-	-	(0.5)	(0.5)
Transfers	(0.5)	-	(2.0)	(2.5)
Unwind of discount	0.4	-	0.3	0.7
Foreign currency movements	-	-	0.3	0.3
Balance at 30 June 2014	2.9	-	1.6	4.5
Balance at 1 July 2012	7.4	-	4.7	12.1
Provided/(released) during the year	(1.2)	-	0.1	(1.1)
Transfers	(3.9)	(0.4)	(1.9)	(6.2)
Unwind of discount	0.4	0.4	0.5	1.3
Foreign currency movements	0.3	-	0.1	0.4
Balance at 30 June 2013	3.0	-	3.5	6.5

(c) Total provisions

$ million	Restructuring	Tas Paper closure	Other	Total
Balance at 30 June 2014				
Current	23.9	0.4	4.0	28.3
Non-current	2.9	-	1.6	4.5
Total provisions	26.8	0.4	5.6	32.8
Balance at 30 June 2013				
Current	23.7	2.6	2.3	28.6
Non-current	3.0	-	3.5	6.5
Total provisions	26.7	2.6	5.8	35.1

Note 27. Share capital

	2014 $m	2013 $m
Issued capital		
Issued and paid-up share capital - 665,181,261 ordinary shares (2013: 609,280,761)	1,895.7	1,895.6
Total issued capital	1,895.7	1,895.6
Movement in employee share plan loans:		
Balance at beginning of reporting period	-	(0.5)
Loans forgiven - forfeited entitlements	-	0.5
Balance at end of reporting period	-	-

	Note	2014 thousands of shares	2013 thousands of shares
Movement in issued shares			
Ordinary shares on issue at beginning of reporting period		609,280.8	609,280.8
Shares issued as consideration for PaperlinX Step-up Preference Securities acquired	29	55,900.5	-
Ordinary shares on issue at end of reporting period		665,181.3	609,280.8

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

The Consolidated Entity has granted share options and rights to executives and other employees. Share options and rights granted under employee share plans carry no entitlement to dividends and no voting rights. Refer Note 30 for details of rights and options issued under employee share plans.

Note 28. Reserves

Reserve for own shares

The reserve for own shares represents the cost of shares held by an equity compensation plan by the Consolidated Entity. This reserve will be reversed against share capital when the underlying shares vest to the employee. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments. Further information on own shares is contained in Note 30.

Exchange fluctuation reserve

The exchange fluctuation reserve records the foreign currency differences arising from the translation of the financial statements of foreign subsidiaries and the impact of transactions that form part of the Company's net investment in a foreign operation, net of tax. Refer to Note 3(l).

Employee share plans reserve

The reserve relates to equity settled share options and rights granted to employees under employee share plans. Further information on share-based payments is set out in Note 30.

Note 29. PaperlinX Step-up Preference Securities

The PaperlinX SPS Trust was established 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 Trust Company (RE Services) Limited ("the Responsible Entity") and ultimately, the Directors of PaperlinX Limited. Distributions are paid on a floating rate, unfranked, non-cumulative, discretionary and semi-annual basis. 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, the Company will be restricted 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 or an optional distribution is paid equal to the unpaid amount of scheduled distributions for the 12 months preceding (but not including) the payment date of the optional distribution. In addition, the main lending facility in the UK and Continental Europe contains a requirement to obtain lender approval for future distributions on the PSPS.

The distribution rate was the 180 day bank bill swap rate plus a margin of 2.40%. On the first periodic remarketing date, 30 June 2012, the PSPS were stepped-up so that the distribution rate for future discretionary distributions is the 180 day bank bill swap rate plus a margin of 4.65%. The next remarketing date is 31 December 2014.

During the reporting period no distribution (2013: no distribution) was paid on the PSPS - refer Note 12(b).

Note 29. PaperlinX Step-up Preference Securities – (continued)

Takeover offer

On 18 October 2013, the Company announced its intention to make an off-market takeover offer for all of the PSPS 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 comprised 250 PaperlinX shares for every PSPS acquired, with no minimum acceptance requirement. The offer period commenced on 18 December 2013. 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 PSPS;
- 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.

On 3 February 2014, the Company announced that the offer was final and unconditional. The offer closed, after extension, on 28 February 2014.

The results of the offer were:

- Acceptances received for 223,602 PSPS (7.85% of total PSPS on issue);
- Carrying value of PSPS acquired (initial issue price of $100 less issue costs) was $21.7 million;
- 55.9 million PaperlinX ordinary shares issued as consideration for the PSPS acquired;
- $2.2 million fair value of PaperlinX ordinary shares issued as consideration (an average of 3.86 cents per share);
- $19.5 million gain arising on consolidation attributable to holders of ordinary shares of the Company from the acquisition of PSPS. The gain was taken directly to retained earnings as a transaction with owners;
- $2.1 million of costs directly related to the takeover offer were taken to equity as a reduction in issued capital.

The Company has retained the PSPS acquired. They are disclosed as "Reserve for own PaperlinX step-up preference securities" in the Statement of Financial Position.

Reserve for own PaperlinX step-up preference securities

The reserve for own PaperlinX step-up preference securities of $21.7m (2013: nil) comprises the carrying value (issue price less issue costs) of the 223,602 PSPS acquired under the takeover offer which closed on 28 February 2014. No gain or loss is recognised in the Consolidated Income Statement on the Consolidated Entity's purchase of PSPS.

Note 30. Share-based payments arrangements

At 30 June 2014, the Consolidated Entity had the following share-based payment arrangements:

Employee shares

From time to time, the Consolidated Entity purchases shares "on market" in order to satisfy issues under share-based payment plans. These shares are recorded in the Statement of Financial Position in the reserve for own shares (refer Note 28), and are held in trust. The voting rights attached to the shares are held in trust, and the dividends attached to the shares are retained by the trust. During the reporting period nil shares were distributed from the reserve to satisfy issues under share-based payment plans.

The reconciliation of the number of shares purchased under the plan that are available for distribution under current share-based payment arrangements is as follows:

	Opening balance	Shares allocated to plan	Distributed	Closing balance
2014				
Number of shares	-	7,100,000	-	7,100,000
2013				
Number of shares	1,004,448	2,030,552	(3,035,000)	-

Options

The Company has issued options to certain senior management at a fixed exercise price at a date in the future subject to specific performance criteria, market conditions and/or service conditions being achieved. If exercised, the exercise price is recognised in equity. The options are independently valued at the grant date. These values have been determined using an appropriate valuation model (either Monte Carlo simulation model or a discounted cash flow technique, as appropriate) incorporating assumptions in relation to the following: the life of the option; the vesting period; the volatility in the share price (range of 20.0 per cent to 72.0 per cent); the dividend yield (range of Nil per cent to 7.25 per cent); and the risk-free interest rate (range of 2.93 per cent to 5.95 per cent). The value of the options are expensed to the Consolidated Income Statement over the applicable measurement period.

Note 30. Share-based payments arrangements – (continued)

In the event that the specified performance criteria, market conditions and/or service conditions are not fully achieved, the number of options will be proportionally reduced.

At balance date there are 41,075,200 (2013: 75,200) unissued shares of the Company which are under option. Each option entitles the holder to purchase one fully paid ordinary share in the Company at the exercise price, subject to the satisfaction of the terms of the option agreements.

The details of options on issue at balance date and movements during the reporting period are as follows:

					Number of options					
Grant date	Initial measurement/ service date	Expiry date	Exer-cise price	Fair value at date of grant	Opening balance	Granted	Lapsed	Exercised	Closing balance	Exercisable at balance date
2014										
14/4/2000	14/4/2003	*(1)*	$3.13	$0.360	10,000	-	-	-	10,000	10,000
20/11/2000	20/11/2003	*(1)*	$3.32	$0.330	12,500	-	-	-	12,500	12,500
19/4/2001	19/4/2004	*(1)*	$3.50	$0.920	20,000	-	-	-	20,000	20,000
13/9/2001	13/9/2004	*(1)*	$4.12	$0.470	21,700	-	-	-	21,700	21,700
20/9/2002	20/9/2005	*(1)*	$5.13	$0.640	11,000	-	-	-	11,000	11,000
25/10/2013	25/10/2015	25/10/2016	$0.10	$0.019	-	5,000,000	-	-	5,000,000	-
25/10/2013	25/10/2015	25/10/2016	$0.15	$0.013	-	5,000,000	-	-	5,000,000	-
25/10/2013	25/10/2016	24/11/2016	$0.20	$0.011	-	5,000,000	-	-	5,000,000	-
25/10/2013	25/10/2016	24/11/2016	$0.30	$0.007	-	5,000,000	-	-	5,000,000	-
25/10/2013	25/10/2016	24/11/2016	$0.40	$0.005	-	5,000,000	-	-	5,000,000	-
25/10/2013	25/10/2018	24/11/2018	$0.50	$0.010	-	10,000,000	-	-	10,000,000	-
10/4/2014	10/4/2016	10/4/2017	$0.10	$0.006	-	1,000,000	-	-	1,000,000	-
10/4/2014	10/4/2016	10/4/2017	$0.15	$0.004	-	1,000,000	-	-	1,000,000	-
10/4/2014	10/4/2017	10/5/2017	$0.20	$0.003	-	1,000,000	-	-	1,000,000	-
10/4/2014	10/4/2017	10/5/2017	$0.30	$0.002	-	1,000,000	-	-	1,000,000	-
10/4/2014	10/4/2017	10/5/2017	$0.40	$0.001	-	1,000,000	-	-	1,000,000	-
10/4/2014	10/4/2019	10/5/2019	$0.50	$0.003	-	1,000,000	-	-	1,000,000	-
					75,200	41,000,000	-	-	41,075,200	75,200
Weighted average exercise price					$3.84	$0.30	-	-	$0.31	$3.84
2013										
14/4/2000	14/4/2003	*(1)*	$3.13	$0.360	25,000	-	(15,000)	-	10,000	10,000
20/11/2000	20/11/2003	*(1)*	$3.32	$0.330	20,000	-	(7,500)	-	12,500	12,500
19/4/2001	19/4/2004	*(1)*	$3.50	$0.920	20,000	-	-	-	20,000	20,000
13/9/2001	13/9/2004	*(1)*	$4.12	$0.470	29,200	-	(7,500)	-	21,700	21,700
20/9/2002	20/9/2005	*(1)*	$5.13	$0.640	16,000	-	(5,000)	-	11,000	11,000
30/10/2008	30/10/2011	30/10/2018	$2.05	$0.510	44,653	-	(44,653)	-	-	-
11/12/2009	30/12/2012	11/12/2016	$0.49	$0.299	195,090	-	(195,090)	-	-	-
19/10/2010	31/8/2013	7/8/2017	$0.64	$0.160	394,210	-	(394,210)	-	-	-
					744,153	-	(668,953)	-	75,200	75,200
Weighted average exercise price					$1.15	-	$0.85	-	$3.84	$3.84

(1) Options issued to employees on commencement of employment are not subject to performance conditions and do not have an expiry date. However, on termination, vested options must be exercised within a specified period of the termination date (not exceeding twelve months).

Since balance date up to the date of this report, nil options have lapsed in respect of the plan period ended 30 June 2014. In addition, no options on issue at balance date have been exercised up to the date of this report.

Rights

The Company has offered rights to certain senior management to receive shares at an exercise price of $nil at a date in the future, subject to specific performance criteria being achieved. The rights are independently valued at the grant date using the Monte Carlo simulation model or a discounted cash flow technique. The value of the rights are expensed to the Income Statement over the applicable measurement period.

In the event that the specified performance criteria are not fully achieved, the number of rights will be proportionally reduced.

Note 30. Share-based payments arrangements – (continued)

At reporting date there are 16,920,618 (2013: 7,854,993) unissued shares of the Company which are subject to performance rights. Each performance right entitles the holder to receive one fully paid ordinary share in the Company when the relevant performance conditions are met. The details of the performance rights on issue at balance date and movements during the reporting period are as follows:

					Number of rights				
Grant date	Initial measurement/ service date	Expiry date	Exercise price	Fair value at date of grant	Opening balance	Granted	Lapsed	Exercised	Closing balance
2014									
18/12/2012	30/6/2015	*(1)*	$nil	$0.05	7,854,993	761,179	(1,550,084)	-	7,066,088
1/7/2013	30/6/2016	*(1)*	$nil	$0.04	-	9,854,530	-	-	9,854,530
					7,854,993	10,615,709	(1,550,084)	-	16,920,618
2013									
30/10/2008	31/8/2011	27/8/2018	$nil	$1.18	18,670	-	(18,670)	-	-
11/12/2009	31/8/2012	11/12/2016	$nil	$0.47	117,055	-	(117,055)	-	-
11/12/2009	29/8/2012	*(1)*	$nil	$0.50	48,560	-	(48,560)	-	-
7/8/2010	7/8/2012	*(1)*	$nil	$0.60	3,045,000	-	(10,000)	(3,035,000)	-
19/10/2010	30/6/2013	*(1)*	$nil	$0.39	134,738	-	(134,738)	-	-
19/10/2010	31/8/2013	*(1)*	$nil	$0.32	236,530	-	(236,530)	-	-
20/6/2012	1/8/2013	*(1)*	$nil	$0.06	400,000	-	(400,000)	-	-
18/12/2012	30/6/2015	*(1)*	$nil	$0.05	-	7,854,993	-	-	7,854,993
					4,000,553	7,854,993	(965,553)	(3,035,000)	7,854,993

(1) These performance rights have no expiry date. They vest and are automatically exercised at the end of the service period, subject to meeting performance criteria.

Since balance date up to the date of this report, nil rights have lapsed in respect of the plan period ended 30 June 2014. In addition, no rights have been issued since balance date up to the date of this report.

No rights were exercisable as at balance date.

Share-based payments expense

	2014 $m	2013 $m
Equity settled share-based payments (expense)/benefit	(0.7)	0.1
Total share-based payments expense	(0.7)	0.1

Note 31. Financial risk management and financial instrument disclosures

Overview

The Consolidated Entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Consolidated Entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring risk management policies. The Audit Committee reports periodically to the Board of Directors on its activities.

Risk management policies and procedures have been established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities. The Consolidated Entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity. The Audit Committee is assisted in its oversight role by the Internal Audit and Risk Management function. Internal Audit and Risk Management personnel undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to senior management and the Audit Committee.

Note 31. Financial risk management and financial instrument disclosures – (continued)

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade and other receivables

The credit risk on financial assets of the Consolidated Entity, other than investments in shares, is the carrying amount of receivables, net of provisions for impairment loss against doubtful debts. The Consolidated Entity minimises its concentrations of this credit risk by undertaking transactions with a large number of customers and counterparties in various countries. Apart from the United Kingdom and Benelux, no country has more than 10 percent of the Consolidated Entity's trade and other receivables. With the exception of two customers in Hong Kong and one customer each in Denmark, New Zealand and Ireland, no individual customers comprise more than 10 percent of an individual country's trade and other receivables balance at balance date.

The Consolidated Entity has established a credit policy under which each new customer is analysed individually for creditworthiness before appropriate payment and delivery terms and conditions are offered. The Consolidated Entity's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and approved per authority levels outlined in the credit policy. These limits are reviewed in accordance with the credit policy frequency guidelines. Customers that fail to meet the Consolidated Entity's benchmark creditworthiness may transact with the Consolidated Entity only on a prepayment or cash only basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. The Consolidated Entity's trade and other receivables relate mainly to the Consolidated Entity's wholesale customers. Sales to customers that are graded as "high risk" are on a prepayment or cash only basis.

Goods are sold subject to retention of title clauses or, where applicable, the registration of a security interest, so that in the event of non-payment the Consolidated Entity may have a secured claim. In certain circumstances the Consolidated Entity requires collateral or personal guarantees in respect of trade and other receivables.

The Consolidated Entity has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on amounts owing beyond specified credit terms.

The Consolidated Entity also utilises credit insurance in all jurisdictions as a further measure to mitigate credit risk.

Foreign exchange contracts

In order to manage any exposure which may result from non-performance by counterparties, foreign exchange contracts are only entered into with major financial institutions. In addition, the Board must approve these financial institutions for use, and specific internal guidelines have been established with regard to instruments, limits, dealing and settlement procedures.

The maximum credit risk exposure on foreign exchange contracts is the full amount of the foreign currency the Consolidated Entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Consolidated Entity.

Guarantees

Details of guarantees provided by the Company and the Consolidated Entity are detailed in Note 34 and Note 37 respectively.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In managing liquidity risk around debt maturing in the short-term, management commence negotiation with the relevant counterparties at the earliest opportunity in order to obtain a satisfactory extension of required funding beyond the maturity date. Where appropriate, other courses of action are taken in parallel in order to minimise liquidity risk. Such action could include sourcing of new finances, the raising of capital, or sale of non-core assets.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Consolidated Entity enters into Board approved instruments including derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the policies approved by the Board.

The Consolidated Entity does not enter into commodity contracts.

Currency risk - transactional

The Consolidated Entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the group entities. The major functional currencies of the group entities are the Australian dollar (AUD), the Euro (EUR), Sterling (GBP) and Canadian dollar (CAD). Primarily the transactions undertaken by the group entities are denominated in their functional currency.

Note 31. Financial risk management and financial instrument disclosures – (continued)

In relation to recognised assets and liabilities denominated in a currency other than the entity's functional currency, the Consolidated Entity's policy is to hedge all individual foreign currency trading exposures in excess of A$100,000. This is done via a natural hedge, such as a similarly denominated receivable or cash balance, or through approved derivative contracts as soon as a firm and irrevocable commitment is entered into or known. It is the Consolidated Entity's policy to recognise both the cost of entering into a forward foreign exchange contract and the net exchange gain/loss arising thereon, between the date of inception and year end, as a net foreign currency receivable or net foreign currency payable in the financial statements. This is calculated by reference to the movement in the fair value of the derivative contract from the date of inception of the contract to that at year end.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities or forecast future cash flows in foreign currencies and for which no hedge accounting is applied are recognised in the Income Statement. Both the changes in fair value of the forward contracts and the unrealised gains and losses relating to the monetary items are recognised as part of "net finance costs" (see Note 9).

Accounts payable and interest bearing liabilities, which include amounts repayable in foreign currencies, are shown at their Australian dollar equivalents. All material foreign currency liabilities are either fully hedged or matched by equivalent assets in the same currencies, such assets representing a natural hedge.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Consolidated Entity, primarily AUD, GBP, EUR and CAD. This provides an economic hedge and no derivatives are entered into for currency risk on interest payments.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Consolidated Entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Currency risk - translational

Foreign currency earnings translation risk arises predominantly as a result of earnings in EUR, GBP and CAD being translated into AUD and from the location of other individually minor foreign currency earnings. The Consolidated Entity does not enter into derivative contracts to hedge this exposure.

Foreign currency net investment translation risk is partially hedged through the Consolidated Entity's policy of originating debt in the currency of the asset, resulting in an overall reduction in the net assets that are translated. The remaining translation exposure is not hedged.

Interest rate risk

The Consolidated Entity adopts a practice of targeting approximately 40 to 60 percent of its exposure to changes in interest rates on borrowings to be on a fixed rate basis. This can be achieved by entering into interest rate swaps and interest rate options. The Consolidated Entity is exposed to adverse movements in interest rates under various debt facilities. The Consolidated Entity from time to time enters into interest rate swaps that swap floating rate interest bearing liabilities into a fixed rate of interest. The Consolidated Entity, from time to time, enters into interest rate cap options to protect a known worst case rate whilst having the ability to participate in more favourable lower variable interest rates. The Company currently does not undertake interest rate hedging but interest rate exposures are to be continually monitored and if conditions change significantly interest rate hedging may recommence.

Capital management

The Consolidated Entity engages in active capital management so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net profit before interest and tax divided by total shareholders' equity, excluding non-redeemable preference shares.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Consolidated Entity's target is to achieve a return on average funds employed (net debt plus total equity) of between 12 and 15 percent. During the year ended 30 June 2014 the return was (7.9) percent (2013: (13.1) percent). This underperformance is largely due to weaker trading performance in Europe, and restructuring costs across all segments. In comparison the weighted average interest rate on interest-bearing borrowings was 4.3 percent (2013: 4.4 percent).

The Board has established various incentive plans whereby remuneration is through shares in the Company. For this purpose the Consolidated Entity may purchase its own shares on the market. Primarily the shares are intended to be used for issuing shares under the Consolidated Entity's share options and rights programmes. Buy and sell decisions are made on a specific transaction basis by the Remuneration Committee. The Consolidated Entity has the option to issue 'new' shares to satisfy these same obligations. The Consolidated Entity does not have a defined share buy-back plan.

Note 31. Financial risk management and financial instrument disclosures – (continued)

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2014 $m	2013 $m
Current net trade receivables		480.9	549.2
Forward exchange contracts		-	2.0
Current other receivables		54.6	50.7
Total current trade and other receivables	14	535.5	601.9
Non-current other receivables		2.9	3.6
Total non-current trade and other receivables	17	2.9	3.6
Total trade and other receivables		538.4	605.5
Cash and cash equivalents	13	107.0	87.8
		645.4	693.3

The Consolidated Entity's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	2014 $m	2013 $m
Australia, Asia, New Zealand	88.9	99.8
Europe	409.6	461.9
Canada	39.9	43.8
Total trade and other receivables	538.4	605.5

Receivables relate to wholesale and end-user customers.

The ageing of trade debtors at the reporting date was:

	Note	Gross 2014 $m	Gross 2013 $m
Not past due		419.6	470.7
Past due 0-30 days		42.8	62.2
Past due 31-120 days		14.2	19.2
Past due 121 days to one year		13.4	7.5
Past due more than one year		18.8	16.9
Total gross trade debtors	14	508.8	576.5

Impairment losses

The movement in allowance for impairment in respect of trade debtors during the reporting period was as follows:

	Note	2014 $m	2013 $m
Balance at 1 July		(27.3)	(26.4)
Impairment loss recognised		(7.3)	(10.1)
Net write-off		7.4	12.1
Acquistion of businesses		-	(0.1)
Foreign currency movements		(0.7)	(2.8)
Balance at 30 June	14	(27.9)	(27.3)

Impairment losses are provided for based on a review of specific amounts receivable at year-end, and a further percentage allowance is made based on an escalating scale of amounts due past credit terms. The percentage is primarily based on historical default rates and management estimates.

When a specific receivable is considered uncollectable it is written off to the Consolidated Income Statement in the current period. Any provision held in respect of this trade receivable is written back to the Consolidated Income Statement in the same period.

In a number of jurisdictions the Consolidated Entity has credit risk insurance to mitigate its exposure to doubtful debts. Given the difficult trading conditions within the paper industry, the Consolidated Entity cannot guarantee the availability of this insurance in the future to the levels previously provided by the external insurers.

Note 31. Financial risk management and financial instrument disclosures – (continued)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, excluding the impact of netting arrangements.

	Carrying amount $m	Contractual Cash Flows Total $m	1 year or less $m	1 to 5 years $m	More than 5 years $m
2014					
Non-derivative financial liabilities					
Trade and other payables	391.1	391.1	389.8	1.3	-
Interest bearing loans and borrowings	200.7	201.6	26.4	175.2	-
Derivative financial liabilities					
Other foreign exchange contracts	0.9	0.9	0.9	-	-
2013					
Non-derivative financial liabilities					
Trade and other payables	398.1	398.1	396.8	1.3	-
Bank overdrafts	0.1	0.1	0.1	-	-
Interest bearing loans and borrowings	210.4	211.3	81.5	129.8	-

Exposure to currency risks

The Consolidated Entity's exposure to foreign currency risk arising on transactions entered into by operating entities of the Consolidated Entity where the transaction currency was not the functional currency of the operating entity was as follows, based on notional amounts:

	2014					2013				
Currency exposure (in millions of)	**AUD**	**EUR**	**USD**	**GBP**	**CAD**	**AUD**	**EUR**	**USD**	**GBP**	**CAD**
Trade and other receivables	1.4	4.6	7.1	2.4	-	0.5	5.7	10.2	3.4	-
Trade and other payables	(3.5)	(20.5)	(30.4)	(1.9)	-	(1.1)	(23.2)	(35.0)	(2.2)	-
Loans and borrowings	-	(17.8)	(0.9)	73.2	36.9	-	(12.7)	(1.5)	70.4	42.5
Gross balance sheet exposure	(2.1)	(33.7)	(24.2)	73.7	36.9	(0.6)	(30.2)	(26.3)	71.6	42.5
Foreign exchange contracts	1.6	4.5	25.3	0.5	-	1.0	12.7	27.9	(0.4)	-
Net balance sheet exposure	(0.5)	(29.2)	1.1	74.2	36.9	0.4	(17.5)	1.6	71.2	42.5

The following exchange rates were used to translate significant foreign denominated balances into the Consolidated Entity's functional currency (AUD) at the end of the reporting period:

	Reporting date spot rate	
	2014	**2013**
EUR	0.6904	0.7119
USD	0.9300	0.9161
GBP	0.5529	0.6082
CAD	1.0045	0.9724

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at the reporting date would have increased/(decreased) pre-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the comparative reporting period.

	2014 $m	2013 $m
EUR	3.8	2.2
USD	(0.1)	(0.2)
GBP	(12.2)	(10.6)
CAD	(3.3)	(4.0)

A 10 percent weakening of the Australian dollar against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

Note 31. Financial risk management and financial instrument disclosures – (continued)

Exposure to interest rate risks

Profile

At the reporting date the interest rate profile of the Consolidated Entity's interest bearing financial instruments was:

	Floating interest $m	Fixed interest $m	Total $m	Effective interest rate % *(1)*
2014				
Financial assets				
Cash and cash equivalents	103.0	4.0	107.0	0.7
Financial liabilities				
Interest bearing loans and borrowings	201.6	-	201.6	4.3
2013				
Financial assets				
Cash and cash equivalents	85.1	2.7	87.8	0.8
Financial liabilities				
Bank overdrafts	0.1	-	0.1	7.8
Interest bearing loans and borrowings	211.3	-	211.3	4.4

(1) Excludes company specific margins.

Fair value sensitivity analysis for fixed rate instruments

The Consolidated Entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Consolidated Entity does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the comparative reporting period.

	2014 $m	2013 $m
Floating interest	(2.0)	(2.1)

A decrease of 100 basis points in interest rates at the reporting date would have an equal and opposite effect on profit by the amounts shown above, assuming that all other variables remain constant.

Fair values

Instruments traded on organised markets are valued by reference to market prices prevailing at the reporting date.

The carrying values and net fair values of financial assets and liabilities approximate each other as at the reporting date for the Consolidated Entity.

The net fair value of foreign exchange contracts is assessed as the estimated amount that the Consolidated Entity expects to pay or receive to terminate the contracts or replace the contracts at their current market rates as at the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The fair value of foreign exchange option contracts is determined by using option pricing models that include externally sourced inputs for a comparable contract at balance date.

For forward foreign exchange contracts, the net fair value is taken to be the unrealised gain or loss at the reporting date.

Note 31. Financial risk management and financial instrument disclosures – (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.:

		Carrying amount				Fair value			
$ million	**Note**	**Fair value hedging instru-ments**	**Loans and receiv-ables**	**Other financial assets/ liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
2014									
Financial assets not measured at fair value									
Cash and cash equivalents	13	-	107.0		107.0				
Trade and other receivables		-	538.4		538.4				
Investments	18	-	-	1.2	1.2				
		-	645.4	1.2	646.6				
Financial liabiltiies measured at fair value									
Foreign exchange contracts		(0.9)	-	-	(0.9)	-	(0.9)	-	(0.9)
		(0.9)	-	-	(0.9)				
Financial liabilites not measured at fair value									
Trade and other payables		-	-	(391.1)	(391.1)				
Bank loans - secured	24	-	-	(196.0)	(196.0)	-	(196.9)	-	(196.9)
Bank loans - unsecured	24	-	-	(4.7)	(4.7)	-	(4.7)	-	(4.7)
		-	-	(591.8)	(591.8)				
2013									
Financial assets measured at fair value									
Foreign exchange contracts		2.0	-	-	2.0	-	2.0	-	2.0
		2.0	-	-	2.0				
Financial assets not measured at fair value									
Cash and cash equivalents	13	-	87.8	-	87.8				
Trade and other receivables		-	603.5	-	603.5				
Income tax receivable		-	11.1	-	11.1				
Investments	18	-	-	1.1	1.1				
		-	702.4	1.1	703.5				
Financial liabiltiies measured at fair value									
Foreign exchange contracts		(0.1)	-	-	(0.1)	-	(0.1)	-	(0.1)
		(0.1)	-	-	(0.1)				
Financial liabilites not measured at fair value									
Bank overdrafts	24	-	-	(0.1)	(0.1)				
Trade and other payables		-	-	(398.0)	(398.0)				
Bank loans - secured	24	-	-	(206.9)	(206.9)	-	(207.8)	-	(207.8)
Bank loans - unsecured	24	-	-	(3.5)	(3.5)	-	(3.5)	-	(3.5)
		-	-	(608.5)	(608.5)				

Note 32. Employee retirement benefit obligations

The Consolidated Entity participates in a variety of retirement benefit arrangements around the world. The following tables cover the material defined benefit plans, that is those with benefits linked to years of service and/or final salary. The principal benefits of these plans are provided in either a lump sum or pension form, depending on each plan's rules. Many of these plans have been closed off to future new employees, and/or future accrual of benefits for employees.

Some plans are backed by external assets such as separate sponsored funds or those backed by insurance policies whereby the Consolidated Entity's cash contributions are either determined by the local plan's actuary, or based on insurance premiums set by the insurer providing the insurance policy. For plans backed by external assets, the funding requirements are based on the respective plan's actuarial measurement framework set out in the funding policies of the plan. Employee contributions are paid in accordance with each plan's rules.

There are other plans that are backed by the assets of the local operating company and therefore there is no requirement for external asset funding.

The Consolidated Entity also participates in a variety of other retirement arrangements of a defined contribution nature, where Consolidated Entity and member contributions are fixed according to the plan rules. These plans are accounted for on a cash basis, and their details are not included in the schedules below.

The defined benefit obligations have been determined in accordance with the measurement and assumption requirements of AASB119. This requires the projected unit credit method to attribute the defined benefits of employees to past service.

	2014 $m	2013 Restated *(1)* $m
The amounts recognised in the Statement of Financial Position are determined as follows:		
Present value of the defined benefit obligation	555.5	508.1
Less fair value of plan assets	(447.6)	(382.0)
Net liability in the Statement of Financial Position	107.9	126.1
Changes in the present value of the defined benefit obligations are as follows:		
Balance at the beginning of year	508.1	435.7
Current service costs	4.9	3.5
Interest on obligation	23.0	20.6
Past service credits	(5.4)	(0.4)
Actuarial gains and losses arising from:		
- changes in demographic assumptions	4.1	-
- changes in financial assumptions	8.1	56.9
- experience adjustments	(1.1)	(9.5)
Contributions by members	0.4	0.3
Curtailment/settlement	(0.6)	(16.1)
Exchange differences on foreign plans	32.9	36.4
Benefits paid	(18.1)	(18.9)
Other	(0.8)	(0.4)
Balance at end of year	555.5	508.1
Changes in the fair value of plan assets are as follows:		
Balance at the beginning of year	382.0	333.6
Interest on plan assets	17.6	15.9
Return on plan assets excluding interest income	22.5	25.2
Contributions by employer	19.6	13.4
Contributions by members	0.4	0.3
Curtailment/settlement	(0.6)	(15.0)
Exchange differences on foreign plans	23.7	27.0
Benefits paid	(17.0)	(18.0)
Other	(0.6)	(0.4)
Balance at end of year	447.6	382.0

(1) Refer Note 2(f).

During the current reporting period, plan amendments in three plans resulted in a past service credit of $5.4m to the present value of the defined benefit obligation. A corresponding past service credit was recognised in the Consolidated Income Statement during the current reporting period.

Note 32. Employee retirement benefit obligations – (continued)

	2014 $m	2013 Restated *(1)* $m
Expense recognised in the Income Statement:		
Current service costs	4.9	3.5
Net interest on obligation	5.4	4.7
Past service credits	(5.4)	(0.4)
Curtailment/settlement gain	-	(1.1)
Other	-	0.2
Total recognised expense	4.9	6.9
Amount recognised in the Statement of Comprehensive Income:		
Actuarial losses on defined benefit obligations	(11.1)	(47.4)
Actuarial gains on fair value of plan assets	22.5	25.2
Movement in limitation on recoupment of net surplus position	-	3.9
	11.4	(18.3)
Less tax effect, where applicable	(3.9)	(2.1)
Total recognised comprehensive income/(loss)	7.5	(20.4)
Cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income:		
Cumulative losses at beginning of year	134.5	108.7
Actuarial (gains)/losses recognised during the year	(11.4)	22.2
Exchange differences on foreign plans	9.2	3.6
Cumulative losses at end of year	132.3	134.5

(1) Refer Note 2(f).

Principal actuarial assumptions

The principal actuarial assumptions at the reporting date used to calculate the net liability and the principal economic assumptions used in making recommendations to determine the employer companies' contributions are detailed below.

	2014	2013
Discount rate	3.0% to 4.4%	2.5% to 4.8%
Salary increase rate	1.0% to 3.0%	1.7% to 4.0%
Inflation	1.9% to 3.3%	2.0% to 3.4%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2014
Average longevity at retirement age for current pensioners (years):	
Males	21.3
Females	24.2
Average longevity at retirement age for future pensioners (years):	
Males	23.7
Females	26.1

At 30 June 2014, the weighted-average duration of the defined benefit obligation was 15.5 years.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase / (Decrease) in DBO
2014	
Discount rate (1% increase)	(91.0)
Discount rate (1% decrease)	114.2
Salary increase rate (1% increase)	(305.2)
Inflation (1% increase)	(58.2)

Note 32. Employee retirement benefit obligations – (continued)

Plan assets

Plan assets are invested in the following categories expressed as a weighted average:

	2014	2013
Equity securities	44%	49%
Bonds	38%	48%
Property	14%	2%
Other	4%	1%
Total plan assets	100%	100%

	2014 $m	2013 $m
Equity securities	196.9	187.2
Bonds	170.1	183.4
Property	62.7	7.6
Other	17.9	3.8
Total plan assets	447.6	382.0

All equity securities and bonds have quoted prices in active markets and are selected in accordance with the respective plan's strategic investment policies.

Defined benefit plans

	Plans as at 30 June 2014			Plans as at 30 June 2013		
	Plan assets $m	**Defined benefit obligation $m**	**Surplus/ (deficit) $m**	**Plan assets $m**	**Defined benefit obligation $m**	**Surplus/ (deficit) $m**
Plans with funded obligations:						
PaperlinX Superannuation Fund (Australia)	10.6	10.6	-	10.0	11.0	(1.0)
Pension Plan for Employees of PaperlinX Canada	75.1	76.2	(1.1)	62.9	71.5	(8.6)
PaperlinX Pensioenfonds (Netherlands)	37.4	45.9	(8.5)	34.5	47.1	(12.6)
Pension Plan for Bührmann Ubbens employees with Nationale Nederlanden (Netherlands)	41.1	42.5	(1.4)	35.3	44.3	(9.0)
The Howard Smith Paper Group Pension Scheme (UK)	66.3	73.1	(6.8)	56.8	62.5	(5.7)
Robert Horne Group Pension Scheme (UK)	212.1	288.6	(76.5)	177.8	251.7	(73.9)
Other	5.0	18.6	(13.6)	4.7	20.0	(15.3)
	447.6	555.5	(107.9)	382.0	508.1	(126.1)
Other plans funded directly by employer subsidiaries	-	-	-	-	-	-
	447.6	555.5	(107.9)	382.0	508.1	(126.1)

Historical information

	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m
Present value of defined benefit obligation	555.5	508.1	435.7	428.9	476.9
Fair value of plan assets	(447.6)	(382.0)	(333.6)	(342.3)	(358.8)
Deficit in the plans *(1)*	107.9	126.1	102.1	86.6	118.1
Plan asset (gain)/loss due to experience *(2)*	(22.5)	(25.2)			
Plan liability (gain)/loss due to experience *(2)*	(1.4)	(9.9)			

(1) Before limitation on recoupment of net surplus positions $nil (2013: $nil, 2012: $3.8 million; 2011: $1.9 million; 2010: $nil).
(2) Comparative balances have been restated - refer Note 2(f).

Future contributions

Based on the periodic funding valuations and local funding requirements, the Consolidated Entity estimates $15.1 million in contributions to be paid to its defined benefit plans during the year ending 30 June 2015 (actual contributions for year ended 30 June 2014: $19.6 million).

Note 33. Reconciliation of cash flows from operating activities

	Note	2014 $m	2013 Restated *(1)* $m
Reconciliation of loss after tax to net cash from operating activities			
Loss for the period		(63.6)	(92.8)
Add back non-cash items:			
• Depreciation and amortisation of property, plant, equipment and intangibles	19,20	10.0	12.8
• Impairment (reversals)/charges - property, plant, equipment and intangibles	21	(2.0)	25.9
• Loss on disposal of controlled entities	6	1.5	3.4
• Profit on disposal of property, plant and equipment		(2.1)	(3.9)
• Employee share based payments expense	30	0.7	(0.1)
• Amortisation of capitalised borrowing costs		0.8	0.7
Add back other items classified as investing/financing:			
• Borrowing costs expensed		1.9	1.2
Decrease in trade and other receivables		99.1	60.8
Decrease in inventories		35.9	24.3
Decrease in trade and other payables		(24.8)	(60.3)
Decrease in provisions		(20.7)	(18.2)
Decrease in current and deferred taxes		14.0	4.5
Net cash from/(used in) operating activities		50.7	(41.7)
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 30 June 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		107.0	87.8
Bank overdrafts		-	(0.1)
		107.0	87.7

(1) Refer Note 2(f)

Note 34. Parent entity disclosures

As at and throughout the financial year ended 30 June 2014, the parent company of the Consolidated Entity was PaperlinX Limited.

Comprehensive Income

For the year ended 30 June	Parent Entity 2014 $m	2013 $m
Loss before tax	(42.8)	(43.5)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period, net of tax	(42.8)	(43.5)

Statement of Financial Position

As at 30 June	Parent Entity 2014 $m	2013 Restated *(1)* $m
Current assets	690.4	694.1
Total assets	733.8	735.5
Current liabilities	-	-
Total liabilities	275.1	233.8
Net assets	458.7	501.7
Equity		
Issued capital	1,895.7	1,895.6
Reserve for own shares	(0.3)	-
Accumulated losses	(1,436.7)	(1,393.9)
Total equity	458.7	501.7

(1) $22.8m of liabilities restated from current to non-current to more accurately reflect the maturity profile of the balance.

Contingent liabilities

	Parent Entity 2014 $m	2013 Restated *(1)* $m
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (government)	1.6	2.0
• Loan guarantees (subsidiaries)	106.7	98.7
Total contingent liabilities	108.3	100.7

(1) The loan guarantees reported in the prior comparative period have been restated to exclude a performance guarantee related to an obligation to collect receivables sold to a European bank by European subsidiaries in the event that these receivables are not collected by those subsidiaries.

The Company does not have any contractual commitments for the acquisition of property, plant and equipment.

Note 35. Capital expenditure commitments

	2014 $m	2013 $m
Capital expenditure contracted but not provided for:		
• Property, plant and equipment	0.7	1.1
• Intangibles	0.2	1.9
Total capital expenditure commitments	0.9	3.0

Note 36. Lease commitments

Operating leases

	2014 $m	2013 $m
Lease expenditure contracted but not provided for:		
• Not later than one year	57.0	60.8
• Later than one year but not later than five years	142.9	140.1
• Later than five years	134.1	135.6
Total operating lease commitments	334.0	336.5

The Consolidated Entity enters into operating leases from time to time in relation to property, plant and equipment. The major component relates to building leases. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated.

Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the relevant index or operating criteria.

Finance leases

The Consolidated Entity did not have any finance leases in the current or comparative reporting period.

Note 37. Contingent liabilities

	2014 $m	2013 $m
Contingent liabilities arising in respect of related bodies corporate:		
• Bank guarantees (trade)	4.4	4.2
• Other guarantees	3.2	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, include 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 with those subsidiaries identified in Note 40.

The Consolidated Entity has given certain warranties and indemnities to the purchasers of the USA, Italy, Slovakia, Hungary, Slovenia, Croatia and Serbia operations. Warranties have been given in relation to matters including the sale 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. Where it is not possible to quantify the potential financial obligation (if any) of the Consolidated Entity for future claims under these indemnities, no amounts have been disclosed.

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 of these items. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

Note 38. Auditors' remuneration

	2014 $m	2013 $m
Audit and review services		
Auditors of the Consolidated Entity - KPMG Australia		
Audit and review of financial statements	0.713	0.740
Overseas KPMG firms		
Audit and review of financial statements	1.629	1.496
	2.342	2.236
Other auditors *(1)*		
Audit and review of local statutory financial statements	0.254	0.218
	2.596	2.454
Other services		
Auditors of the Consolidated Entity - KPMG Australia		
Other assurance services	0.030	-
Other services	0.013	0.033
Overseas KPMG firms		
Other assurance services	0.060	0.028
Taxation services	0.013	0.019
Advisory services	0.150	0.114
Other auditors		
Other services	0.038	0.017
	0.304	0.211
Total auditors' remuneration	2.900	2.665

(1) Four businesses use other auditors to provide audit services for local statutory accounts.

The auditors of the Company are KPMG Australia. From time to time, KPMG provides other services to the Company, which are subject to the corporate governance procedures adopted by the Company which encompass the restriction of non-audit services provided by the auditor of the Company, the selection of service providers and the setting of their remuneration. The guidelines adopted by KPMG for the provision of other services are designed to ensure their statutory independence is not compromised. In the current year, the Company has engaged the services of other accounting firms to perform a variety of non-audit assignments.

Note 39. Related parties

Key management personnel (KMP) compensation

	2014 $	2013 $
Short-term benefits	2,974,729	2,662,374
Post-employment benefits	234,240	282,531
Equity plans	517,500	(16,744)
Termination benefits	632,123	861,408
	4,358,592	3,789,569

Transactions with entities in the Consolidated Entity

The Company provided management, accounting and administrative services to other entities in the Consolidated Entity during the current and comparative reporting periods. These services were provided on commercial terms and conditions.

Other related party disclosures

The ownership interest in subsidiaries is disclosed in Note 40.

Loans to Directors of subsidiaries total $nil (2013: $nil).

Note 40. Group entities

Cross guarantee

The Company and the specified subsidiary companies listed in this note have entered into an approved deed for the cross guarantee of liabilities.

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 (as amended), these wholly-owned subsidiaries are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of Financial Reports.

It is a condition of the Class Order that the Company and each of these subsidiaries enter into a deed of cross guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of these subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. These subsidiaries have also given similar guarantees in the event that the Company is wound up.

The consolidated Income Statement and consolidated Statement of Financial Position comprising the Company and the wholly-owned subsidiaries which are a party to the deed as at the reporting date, after eliminating all transactions between parties to the deed of cross guarantee, are set out below:

Income Statement

	Deed of Cross Guarantee Consolidated	
For the year ended 30 June	**2014**	**2013 Restated** *(1)*
	$m	**$m**
Loss before tax	(81.1)	(211.6)
Tax expense	(0.2)	(0.2)
Loss for the period	(81.3)	(211.8)
Accumulated losses at beginning of period	(1,619.4)	(1,407.0)
Actuarial gains/(losses) on defined benefit plans	1.2	(0.6)
Accumulated losses at end of period	(1,699.5)	(1,619.4)

(1) Refer Note 2(f).

Note 40. Group entities – (continued)

Statement of Financial Position

	Deed of Cross Guarantee Consolidated	
As at 30 June	2014	2013 Restated *(1)*
	$m	$m
Statement of Financial Position		
Current assets		
Cash and cash equivalents	12.6	12.6
Trade and other receivables	50.7	57.1
Inventories	51.5	46.5
Income tax receivable	-	2.5
Total current assets	114.8	118.7
Non-current assets		
Receivables	14.3	46.2
Investments in other Consolidated Entity subsidiaries	419.5	437.8
Property, plant and equipment	4.2	4.9
Intangible assets	0.1	0.1
Total non-current assets	438.1	489.0
Total assets	552.9	607.7
Current liabilities		
Trade and other payables	51.1	48.0
Loans and borrowings	0.2	4.8
Income tax payable	2.0	2.1
Employee benefits	7.6	8.2
Provisions	4.0	5.5
Total current liabilities	64.9	68.6
Non-current liabilities		
Payables	44.1	22.8
Loans and borrowings	257.1	247.7
Employee benefits	0.6	1.6
Provisions	0.7	1.7
Total non-current liabilities	302.5	273.8
Total liabilities	367.4	342.4
Net assets	185.5	265.3
Equity		
Issued capital	1,895.7	1,895.6
Reserves	(2.2)	(2.4)
Accumulated losses	(1,699.5)	(1,619.4)
	194.0	273.8
PaperlinX Step-up Preference Securities	(8.5)	(8.5)
Total equity	185.5	265.3

(1) $43.1m of receivables, $22.8m of payables and $28.8m of loans and borrowings have been restated from current to non-current to more accurately reflect the maturity profile of the respective amounts.

Note 40. Group entities – (continued)

Subsidiaries listing

	Note	Country of incorporation	Consolidated subsidiary interest 2014	2013
PaperlinX Services Pty Ltd	*(1)*	Australia	100%	100%
Tas Paper Pty Ltd	*(1)*	Australia	100%	100%
PaperlinX SPS Trust		Australia	100%	100%
PaperlinX SPS LLC		USA	100%	100%
PaperlinX Australia Pty Ltd	*(1)*	Australia	100%	100%
Pebmis Pty Ltd	*(1)*	Australia	100%	100%
Paper Associates Pty Ltd	*(1)*	Australia	100%	100%
PaperlinX (UK) Ltd		United Kingdom	100%	100%
PaperlinX (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Brands (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Services (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Investments (Europe) Ltd		United Kingdom	100%	100%
PaperlinX Treasury (Europe) Ltd		United Kingdom	100%	100%
1st Class Packaging Ltd		United Kingdom	100%	100%
The Paper Company Ltd		United Kingdom	100%	100%
Parkside Packaging Ltd		United Kingdom	100%	100%
Donnington Packaging Supplies Ltd		United Kingdom	100%	100%
The M6 Paper Group Ltd		United Kingdom	100%	100%
Howard Smith Paper Group Ltd		United Kingdom	100%	100%
Contract Paper Ltd		United Kingdom	100%	100%
Howard Smith Paper Ltd		United Kingdom	100%	100%
Precision Publishing Papers Ltd		United Kingdom	100%	100%
Trade Paper Ltd		United Kingdom	100%	100%
Robert Horne UK Ltd		United Kingdom	100%	100%
PaperlinX UK Pensions Trustees Ltd		United Kingdom	100%	100%
Robert Horne Group Ltd		United Kingdom	100%	100%
W Lunnon & Company Ltd		United Kingdom	100%	100%
Pinnacle Film & Board Sales Ltd		United Kingdom	100%	100%
Sheet & Roll Converters Ltd		United Kingdom	100%	100%
Deutsche Papier Holding GmbH		Germany	100%	100%
Deutsche adp Wilhelm GmbH		Germany	100%	100%
Deutsche Papier Vertriebs GmbH		Germany	100%	100%
PaperlinX Holdings Cooperatieve UA		Netherlands	100%	100%
PaperlinX Netherlands Holdings BV		Netherlands	100%	100%
PaperlinX Netherlands BV		Netherlands	100%	100%
PaperlinX BV	*(2)*	Netherlands	100%	100%
PaperNet GmbH		Austria	100%	100%
Tulipel - Comercio de Paperis Lda		Portugal	100%	100%
Ospap AS		Czech Republic	100%	100%
PaperlinX Denmark Holdings ApS		Denmark	100%	100%
PaperlinX AS	*(2)*	Denmark	100%	100%
Cadorit i Borås AB		Sweden	100%	100%
PaperlinX NV	*(2)*	Belgium	100%	100%
PaperlinX Sp.z.o.o	*(2)*	Poland	100%	100%
PaperlinX SL		Spain	100%	100%

Note 40. Group entities – (continued)

	Note	Country of incorporation	Consolidated subsidiary interest 2014	2013
Spicers Canada Limited		Canada	100%	100%
PaperlinX Holdings (Asia) Pte Ltd		Singapore	100%	100%
Spicers Paper (Singapore) Co. Ltd		Singapore	100%	100%
Winpac Paper Pte Ltd		Singapore	100%	100%
Spicers Paper (Hong Kong) Ltd		Hong Kong	100%	100%
Spicers Paper (Malaysia) Sdn Bhd		Malaysia	100%	100%
Spicers Paper (Shanghai) Co. Ltd	*(3)*	China	100%	-
PaperlinX Ireland Holdings Ltd		Ireland	100%	100%
PaperlinX Ireland Ltd		Ireland	100%	100%
Paper Sales Ltd		Ireland	100%	100%
Contact Papers Ltd		Ireland	100%	100%
Supreme Paper Company Ltd		Ireland	100%	100%
DM Paper Ltd		Ireland	100%	100%
PaperlinX Investments Pty Ltd	*(1)*	Australia	100%	100%
PaperlinX (N.Z.) Ltd		New Zealand	100%	100%

(1) Subsidiaries entered into an approved deed for the cross guarantee of liabilities.
(2) Subsidiaries renamed since 30 June 2013:
PaperlinX BV (formerly BührmannUbbens BV)
PaperlinX AS (formerly CC&Co AS)
PaperlinX NV (formerly Bührmann Ubens NV)
PaperlinX Sp.z.o.o (formerly Zing Sp.z.o.o)
(3) Subsidiaries established since 30 June 2013.

Note 41. Events subsequent to balance date

Dividends on the Company's ordinary shares

No final dividend has been declared for the reporting period ended 30 June 2014.

Extension of UK trade receivables facility

On 15 August 2014, the maturity date for a major UK trade receivables facility was extended from September 2015 to September 2016 - refer Note 24.

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes, and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 40 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

4 The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Robert Kaye SC	**Michael Barker**
Chairman	Director

Dated at Melbourne, in the State of Victoria this 20 August 2014.

KPMG

Independent auditor's report to the members of PaperlinX Limited
Report on the financial report

We have audited the accompanying financial report of PaperlinX Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 41 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report
The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

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

Auditor's opinion
In our opinion:
(a) the financial report of PaperlinX Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion
In our opinion, the Remuneration Report of PaperlinX Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG
KPMG

Paul J McDonald
Partner

Melbourne
20 August 2014